

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular. You are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached offering circular. In accessing the attached offering circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us.

Confirmation of your representation: You have accessed the attached document on the basis that you have confirmed to Philippine Savings Bank (the “**Bank**”), First Metro Investment Corporation and ING Bank N.V., Manila Branch (the “**Arrangers**”), Metropolitan Bank & Trust Company, to the extent allowed under Philippine law, the Bank (together with the Arrangers, the “**Selling Agents**” and each a “**Selling Agent**”) that (1) you are not a resident in a country where delivery of this document by electronic transmission may not be lawfully delivered in accordance with the laws of the jurisdiction in which you are located, and (2) that you consent to delivery of this document by electronic transmission.

This document has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Bank, the Arrangers, or the Selling Agents and their respective affiliates accept liability or responsibility whatsoever in respect of any difference between the document distributed to you in electronic format and the hard copy version.

You understand that: The information in the offering circular has been provided by the Bank for its ₱40,000,000,000 Bond Programme (the “**Programme**”). The Arrangers and Selling Agents have not independently verified all the information contained in the offering circular. The Arrangers and Selling Agents (1) accept no liability or responsibility for (a) the contents of this offering circular or for any other statement, made or purported to be made by an Arranger or a Selling Agent or on its behalf in connection with the Bank, (b) the accuracy or completeness of the information contained in the offering circular or on which the offering circular is based, or (c) the issue and offering of the Bonds (2) nor make any representation or warranty, express or implied, with respect to the information contained in the offering circular or on which the offering circular is based. The Arrangers and each of the Selling Agents accordingly disclaim 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.

This offering circular should not be considered as a recommendation by the Arrangers and Selling Agents or any of their affiliates to any recipient of the offering circular in relation to the transaction. Each person to whom the offering circular is made available by the Arrangers and Selling Agents must make its own independent assessment of the transaction after making such investigation as it deems necessary.

If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described herein.

You are reminded that you have accessed the attached offering circular on the basis that you are a person into whose possession this offering circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located.

THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED.

You are responsible for protecting against viruses and other destructive items. Your use of this electronic document is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.



PHILIPPINE SAVINGS BANK

(incorporated with limited liability in the Republic of the Philippines)

₱40,000,000,000
Bond Programme

Under this ₱40,000,000,000 Bond Programme (the “**Programme**”), Philippine Savings Bank (“**PSBank**”, the “**Bank**” or the “**Issuer**”) may offer from time to time, in one or more series of tranches, Bonds, pursuant to the Bangko Sentral ng Pilipinas (“**BSP**”) Circular No. 1010 (Series of 2018), BSP Circular No. 1062 (Series of 2019), and any other circulars and regulations as may be relevant for the transaction, as amended from time to time.

The maximum aggregate nominal amount of all Bonds from time to time outstanding under the Programme will not exceed ₱40,000,000,000, subject to increase as described herein. The Programme was established on June 28, 2019.

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

The Bonds will constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer. The Bonds 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. See “General Terms and Conditions”.

The Bonds will not be rated. However, as of July 1, 2025, the Bank has a PRS Aaa (Corp.) with a Stable Outlook issuer rating from the Philippine Rating Services Corporation (“**PhilRatings**”). A rating is not a recommendation to buy, sell, or hold securities and may be subject to revision, suspension, or withdrawal at any time by the assigning rating organization.

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

The Bonds will be issued in scripless form. The Bonds will be represented by a Master Certificate of Indebtedness which will be deposited with the Trustee. It is intended that, upon issuance, the Bonds will be immobilized and lodged with the Registrar. A Registry Confirmation will be issued by the Registrar in favor of the holders of the Bonds in accordance with the regulations of the BSP. Once lodged, the Bonds will be eligible for electronic book-entry transfers in the Registry Book without the issuance of other evidence of certificates, and any sale, transfer, or conveyance of the Bonds shall be coursed through an accredited exchange.

The Bonds will be listed in the trading platform of the Philippine Dealing & Exchange Corp. (“**PDEX**”) for secondary market trading pursuant to BSP rules. Upon listing of the Bonds in the PDEX, investors shall course their secondary market trades through the trading participants of the 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 BEING OFFERED OR SOLD HEREIN ARE SECURITIES EXEMPT FROM REGISTRATION UNDER SECTION 9.1 (E) OF THE SECURITIES REGULATION CODE AND WILL ACCORDINGLY NOT BE REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION.

Arrangers and Selling Agents



Selling Agents



The Bonds will be issued pursuant to BSP Circular No. 1010 (Series of 2018), BSP Circular No. 1062 (Series of 2019), and other related circulars and issuances of the BSP, as may be amended from time to time (the "**BSP Rules**"). The issuance of the Bonds is exempt from the registration requirement under the Securities Regulation Code pursuant to Section 9.1(e) of the said law. This document has been prepared by the Bank solely for the information of persons to whom it is transmitted. This document shall not be reproduced in any form, in whole or in part, for any purpose whatsoever nor shall it be transmitted to any other person.

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

The Bank confirms that this document contains all information with respect to the Bank and the Bonds which is material in the context of the issue and offering of the Bonds, that the information contained herein is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed herein are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions, that there are no other facts, the omission of which would, in the context of the issue and offering of the Bonds, make this document as a whole or any such information or the expression of any such opinions or intentions misleading in any material respect and that all reasonable enquiries have been made by the Bank to verify the accuracy of such information. The Bank accepts responsibility accordingly.

In making an investment decision, you must rely on your own examination of the Bank and the terms of the offering of Bonds, including the merits and risks involved. By receiving this Offering Circular (the "**Offering Circular**"), you acknowledge that (i) you have not relied on First Metro Investment Corporation ("**First Metro**") and ING Bank N.V., Manila Branch ("**ING**") (the "**Arrangers**"), or any person affiliated with the Arrangers in connection with your investigation of the accuracy of any information in this Offering Circular or your investment decision, and (ii) no person has been authorized to give any information or to make any representation concerning the Bank, the Group or the 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 Arrangers or the Selling Agents (as defined below).

To the fullest extent permitted by law, none of the Arrangers and Selling Agents accept any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by the Arrangers and Selling Agents or on its behalf in connection with the Bank, or the issue and offering of the Bonds. The Arrangers and Selling Agents accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

No representation or warranty, express or implied, is made by the Arrangers and Selling Agents as to the accuracy or completeness of the information contained in this Offering Circular. Neither the delivery of this Offering Circular nor the offer of Bonds shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Bank or the Group since the date of this Offering Circular or that any information contained herein is correct as at any date subsequent to the date hereof.

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

The Arrangers and Selling Agents and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. In the ordinary course of their various business activities, the Arrangers and Selling Agents and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investments and securities activities may involve securities and instruments of the Bank.

The Arrangers and Selling Agents and/or their affiliates may purchase Bonds for their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Bonds and/or other securities of the Bank or its respective subsidiaries or associates at the same time as the offer and sale of the Bonds, or in secondary market transactions. Such transactions would 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 purchasers of the 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. Each investor in the Bonds must comply with all applicable laws and BSP rules 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 BSP rules in force in any jurisdiction to which it is subject or in which it makes such purchase or offer, and neither the Bank nor the Arrangers and Selling Agents shall have any responsibility thereof. Interested investors should inform themselves as to

the applicable legal requirements under the laws and BSP rules of the countries of their nationality, residence, or domicile and as to any relevant tax or foreign exchange control laws and BSP rules that may affect them. See “Distribution and Sale”.

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” herein are references to the Government of the Philippines. All references to “United States” or “U.S.” herein are to the United States of America. All references to “Peso” and “₱” herein are to the lawful currency of the Philippines and all references to “U.S. dollars” or “US\$” herein are to the lawful currency of the United States.

FORWARD-LOOKING STATEMENTS

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

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

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

INDUSTRY AND MARKET DATA

Unless otherwise indicated, all industry and market data with respect to the Philippine banking and financial services industries was derived from information compiled and made available by the BSP or other public sources. While the Bank has ensured that such information has been extracted accurately and is believed by the Bank to be reasonable and presented in its proper context, the Bank has not independently verified any of the data from third-party sources or ascertained the correctness of the underlying economic assumptions relied upon therein.

TABLE OF CONTENTS

DOCUMENTS INCORPORATED BY REFERENCE	1
GENERAL DESCRIPTION OF THE PROGRAMME.....	2
SUMMARY OF THE OFFERING CIRCULAR.....	3
SUMMARY OF FINANCIAL INFORMATION	5
FORM OF PRICING SUPPLEMENT	10
ADDITIONAL INFORMATION	13
USE OF PROCEEDS.....	38
TERMS AND CONDITIONS OF THE BONDS.....	40
DESCRIPTION OF THE BANK.....	58
BOARD OF DIRECTORS, MANAGEMENT, EMPLOYEES, AND SHAREHOLDERS.....	91
PHILIPPINE BANKING SECTOR	96
BANKING REGULATIONS AND SUPERVISION	102
TAXATION	139
DISTRIBUTION AND SALE	144
INDEX TO THE FINANCIAL STATEMENTS	149

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; 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.

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.

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 conditions as set out herein. A summary of the terms and conditions of the Bonds appears below. The applicable terms of any Bond will be agreed between the Issuer and the relevant Arrangers prior to the issuance and will be set out in the Terms and Conditions of the Bonds endorsed on, attached to, or incorporated by reference into, the 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 listing Bonds on PDS in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Bonds previously or simultaneously issued under the Programme, does not exceed ₱40,000,000,000.

SUMMARY OF THE OFFERING CIRCULAR

This summary highlights information contained elsewhere in this Offering Circular. This summary is qualified in its entirety by more detailed information and financial statements, including notes thereto, appearing elsewhere in this Offering Circular. For a discussion of certain matters that should be considered in evaluating an investment in the Bonds, see “Investment Considerations.” Investors are advised to read this entire Offering Circular carefully, including the Bank’s financial statements and related notes contained herein.

Principal Products, Markets and Distribution

Philippine Savings Bank (“**PSBank**” or the “**Bank**” or the “**Issuer**”) was established on June 30, 1959 primarily to engage in savings and mortgage banking. The Bank has outpaced some of its key competitors and is, today, the country’s leading thrift bank in terms of assets. The Bank is the country’s first publicly listed thrift bank. The Bank caters mainly to the retail and consumer markets and offers a wide range of products and services such as deposits, loans, treasury, and trust. As of March 31, 2025, it has 250 branches. The Bank’s total assets stood at ₱221.98 billion, ₱216.36 billion and ₱238.43 billion as of March 31, 2025, December 31, 2024 and December 31, 2023, respectively. Its total equity was at ₱45.13 billion, ₱44.11 billion and ₱40.15 billion as of March 31, 2025, December 31, 2024 and December 31, 2023, respectively.

As of March 31, 2025, the Bank is 88.38% owned by Metropolitan Bank & Trust Company (“**Metrobank**”), a universal bank that provides a full range of banking and other financial services through its local and international branches. Metrobank is the country’s second largest private universal bank with consolidated assets of ₱3.48 trillion and has an extensive distribution network of over 900 branches nationwide as of March 31, 2025.

Competitive Strengths

Majority owned by the Metrobank Group. PSBank is 88.38% owned by the Metrobank Group, which is the second largest Philippine universal bank in terms of assets as of March 31, 2025 based on data disclosed to regulators. Metrobank is one of the leading expanded universal banks in the country with more than 2,000 local and international offices and subsidiaries. Metrobank and PSBank serve distinct core markets and coordinate on market segmentation.

Focused on the consumer market. PSBank’s focus is on retail deposit taking and consumer lending to upper and middle-income classes. Through its 250 branches, it has been able to accumulate ₱169.68 billion deposit liabilities as of March 31, 2025. Over the years, it has sought to develop products that address the needs of its target market.

Consistent customer service and training. PSBank emphasizes Customer Service which is considered a major part of all performance evaluation reviews for both front-line and back-end support personnel. In an industry where homogenous products and services are being offered, PSBank aims to set itself apart through a unique customer-driven experience.

Investments in Information Technology. PSBank has been investing in information technology for greater automation and integration of processes. This has resulted in improved efficiency through faster turn-around time for credit decisions, more uniform compliance with credit policies and better risk and profit monitoring for its loan portfolio. PSBank offers one of the fastest turn-around times for consumer loan applications in the industry. It offers a one day turn-around time for Auto Loans, one day for Home Loans with accredited developers or foreclosed properties, and three days for Flexi Personal Loans.

Strategy

The Bank’s vision is to be the country’s consumer and retail bank of choice. It also aims to retain its current position as the country’s largest thrift bank. The Bank will do this by maintaining a strategic management discipline that focuses on the consumer market. It will continue to harness inherent synergies with Metrobank and, at the same time, differentiate itself through its unmatched service, speed, and quality. In line with its vision to be the bank of choice in providing exceptional customer experience at every encounter, PSBank will continue to step up its digital banking innovations by developing pioneering mobile, online and even in-branch digital services for more efficient banking transactions amid changing customer preferences and advancements in technology.

PSBank will continuously strengthen its branch network capabilities even as it develops other customer touchpoints and service channels. This will be complemented by the Bank’s continued improvements in customer profiling with more robust use of data analytics. The objective is to stay ahead of the profitability curve and build a competitive advantage by having a focus on preferred target markets. This is supported by having a customer-centric culture within the Bank and an organizational structure which encourages employees to be flexible and motivated contributors. The Bank continues to be fueled and inspired by its mission and mandate to deliver Simple Lang, Maasahan (Simple and Reliable) service at all times. See “Description of the Bank” — Strategy of the Bank.

Awards and Citations.

PSBank has been consistently recognized in recent years for its solid financial performance and strategic execution. This stands as a testament to the Bank's ability to deliver sustainable growth and create long-term value for shareholders.

In 2024, for the third consecutive year, the Bank achieved a record-high net income of ₱5.21 billion, underscoring its strong operating results and disciplined growth strategy. Beyond the numbers, the Bank received numerous awards, including the Quill Awards for outstanding corporate communications, the Silver Anvil Awards for multimedia and public relations excellence, and the Double Golden Arrow Recognition for outstanding corporate governance from the Institute of Corporate Directors. Additionally, PSBank was named the SSS Kabalikang Bayan Best Disbursement Partner – Thrift Bank Category and one of Philippines' Best Employers 2025 by the Philippine Daily Inquirer and Statista.

Business Activities.

In recent years, PSBank has been at the forefront of developing innovative and disruptive digital banking solutions, responding to the increasing adoption of digital technology for everyday transactions. Guided by its promise of "Simple lang, Maaasahan," PSBank has made banking more accessible, simpler and safer through product enhancements such as Account Opening and via the Mobile App, Mobile Check Deposit, Cardless Withdrawal, Mobile TD Placement, "Vale" – Payroll Cash Advance, among others. It has also rolled out technology-driven enhancements to strengthen regulatory compliance, streamline operations and support scalable customer centric growth.

In 2024, the Bank continued to drive digital innovation by launching an upgraded mobile banking app featuring a smoother, more user-friendly interface. The latest version allows clients to customize their display of frequently used features, making digital banking more intuitive and efficient. Alongside these mobile enhancements, the Bank also introduced: 2-way SMS facility for ease of processing of Flexi Loan renewals; Seamless Online Loan Application which enhances loan processing efficiency for new and existing clients by cutting down delays and errors; BOB (Business Online Buddy) upgrade which allows quicker updates, stronger security, and a smoother corporate banking experience; Q-Anywhere queuing system enhancement in PSBank branches to streamline service flow and further reduce wait times for clients to complete their transactions.

Recent Developments

The Board of Directors, in its meeting held on April 24, 2025, passed a resolution declaring a 7.5% Regular Cash Dividend for the first quarter of 2025, amounting to ₱320.14 million equivalent to ₱0.75 per share. This was payable to all common stockholders as of the Record Date of May 13, 2025 and will be paid no later than the Payment Date of May 26, 2025.

The stockholders representing at least two-thirds (2/3) of the outstanding capital stock, in its annual stockholders' meeting held on April 15, 2019, approved the increase in authorized capital stock from ₱4.25 billion to ₱6.0 billion. Further, the stockholders representing at least two-thirds (2/3) of the outstanding capital stock approved the declaration of stock dividends in the amount of ₱437.50 million equivalent to 43,750,000 common shares with par value of ₱10 per share in favor of all stockholders of record in proportion to their respective shareholdings, payable on record date.

On July 1, 2025, PSBank received an issuer rating of PRS Aaa (Corp.), with a Stable Outlook, by PhilRatings. A company rated PRS Aaa (Corp.) has a very strong capacity to meet financial commitments relative to that of Philippine Corporates. PRS Aaa (Corp.) is the highest corporate credit rating assigned on the PRS scale. A Stable Outlook, on the other hand, is assigned when a rating is likely to be maintained or to remain unchanged in the next twelve (12) months.

The assigned rating and Outlook take into account the following key considerations: (i) PSBank's solid market position; (ii) its sound capitalization and asset quality; (iii) the Bank's strong Parent and highly-experienced management team; and (iv) the positive outlook for the Bank's major market.

PSBank completed its ₱8.0 billion stock rights offer after the offer period closed on January 11, 2019. The offer to eligible shareholders of 142,856,925 common shares was priced at ₱56.00 per share. The rights shares were listed on the Philippine Stock Exchange on January 18, 2019.

Risks of Investing

Prospective investors should consider the current and immediate political and economic factors in the Philippines as a principal risk for investing. Political instability and threats to local and regional currencies may also influence the operations, growth, and profitability of the Bank. Of equal importance are the investment considerations regarding the Bank's operations. See "Investment Considerations".

SUMMARY OF FINANCIAL INFORMATION

The following tables provide selected financial information of the Bank which has been derived from its audited financial statements as of and for the years ended December 31, 2022, 2023, and 2024 prepared in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards and unaudited interim condensed financial statements of the Bank as of March 31, 2025 and for the three months ended March 31, 2025 and 2024 prepared in accordance with Philippine Accounting Standards (PAS) 34, Interim Financial Reporting.

Statements of Income

	For the years ended December 31 (audited)			For the three months ended March 31 (unaudited)	
(In P)	2022	2023	2024	2024	2025
Interest Income	14,187,873,452	17,624,265,411	16,873,125,447	4,360,598,579	4,319,523,230
Interest Expense	3,137,222,758	5,798,088,503	4,575,585,336	1,320,783,568	1,049,399,789
Net Interest Income	11,050,650,694	11,826,176,908	12,297,540,111	3,039,815,011	3,270,123,441
Net Service Fees and Commission Income	1,681,532,824	1,727,158,977	1,815,578,735	447,196,984	544,286,651
Other Operating Income	2,288,188,244	1,591,580,289	1,205,357,750	432,313,553	198,516,310
Total Operating Income	15,020,371,762	15,144,916,174	15,318,476,596	3,919,325,548	4,012,926,402
Other Expenses	10,306,826,589	10,342,231,699	9,448,869,584	2,447,272,042	2,612,372,229
Income before Share in Net Income of a Joint Venture and Income Tax	4,713,545,173	4,802,684,475	5,869,607,012	1,472,053,506	1,400,554,173
Share in Net Income of a Joint Venture	83,418,474	86,340,894	68,022,770	21,637,022	25,277,270
Income before Income Tax	4,796,963,647	4,889,025,369	5,937,629,782	1,493,690,528	1,425,831,443
Provision for Income Tax	1,118,535,388	357,963,505	729,187,367	289,988,095	215,065,651
Net income	3,678,428,259	4,531,061,864	5,208,442,415	1,203,702,433	1,210,765,792

Statements of Condition

	As of December 31 (audited)			As of March 31 (unaudited)
(In P)	2022	2023	2024	2025
Assets				
Cash and Other Cash Items	1,930,720,274	1,653,554,961	1,781,441,158	1,730,911,748
Due from Bangko Sentral ng Pilipinas	37,553,243,574	9,745,633,911	1,183,357,292	2,560,504,084
Due from Other Banks	2,910,493,038	1,764,229,676	1,815,099,522	1,298,524,893
Interbank Loans Receivable and Securities Purchased Under Resale Agreements	2,669,609,031	6,989,635,680	400,000,000	6,000,000,000
Financial Assets at Fair Value through Profit or Loss	35,875	414,298,313	300,599,156	151,871,360
Financial Assets at Fair Value Through Other Comprehensive Income	69,660,715,882	54,359,693,631	25,892,190,851	18,579,525,700
Investment Securities at Amortized Cost	30,422,284,704	29,893,168,043	30,096,321,212	29,590,696,335
Loans and Receivables	109,697,304,552	122,764,412,226	143,823,452,568	150,687,070,818
Investments in a Joint Venture	816,284,853	870,178,530	892,036,809	917,314,079
Property and Equipment	3,126,723,127	3,141,957,377	3,193,122,788	3,159,839,600
Investment Properties	4,031,471,065	3,934,950,184	3,640,816,902	3,590,513,682
Deferred Tax Assets	280,113,544	1,257,607,610	1,318,508,161	1,258,893,394
Goodwill and Intangible Assets	333,890,899	298,197,196	460,788,987	416,411,277
Other Assets	988,118,816	1,345,778,616	1,559,037,180	2,040,018,731
Total Assets	264,421,009,234	238,433,295,954	216,356,772,586	221,982,095,701
Liabilities				
Deposit Liabilities	213,772,192,978	189,622,703,788	164,553,029,106	169,678,920,574
Demand	26,602,133,863	25,325,912,039	25,535,370,093	26,004,757,556
Savings	46,933,474,339	46,463,448,245	47,745,087,366	48,437,359,343
Time	135,158,982,248	112,749,125,906	91,272,571,647	95,236,803,675

(In ₱)	As of December 31 (audited)			As of March 31 (unaudited)
	2022	2023	2024	2025
Long-Term Negotiable Certificates of Deposits	5,077,602,528	5,084,217,598	-	-
Bills Payable	1,185,944,975	271,896,461	-	-
Bonds Payable	4,648,449,939	-	-	-
Treasurer's, Cashier's and Manager's Checks	1,014,225,796	1,514,065,655	1,615,438,412	1,437,075,160
Accrued Taxes, Interest and Other Expenses	2,506,216,736	2,663,537,503	2,246,446,273	1,879,977,530
Income Tax Payable	-	-	-	37,574,406
Other Liabilities	4,154,367,586	4,206,934,631	3,835,930,737	3,814,693,407
Total Liabilities	227,281,398,010	198,279,138,038	172,250,844,528	176,848,241,077
Equity				
Common Stock	4,268,594,160	4,268,594,160	4,268,594,160	4,268,594,160
Capital Paid in Excess of Par Value	11,418,563,257	11,418,563,257	11,418,563,257	11,418,563,257
Surplus Reserves	1,043,979,211	1,046,398,969	1,049,164,351	1,049,164,351
Surplus	21,207,490,714	24,455,554,572	28,380,653,358	29,271,274,588
Fair Value Reserves on Financial Assets at FVOCI	(48,782,635)	70,794,457	16,969,885	154,794,802
Remeasurement Losses on Retirement Plan	(748,523,773)	(1,129,174,728)	(1,038,514,167)	(1,038,514,167)
Equity in Remeasurement Gains on Retirement Plan of a Joint Venture	2,877,392	6,178,352	2,421,056	2,421,056
Equity in Hedge Reserves of a Joint Venture	(12,144,581)	9,707,213	-	-
Cumulative Translation Adjustment	7,557,479	7,541,664	8,076,158	7,556,577
Total Equity	37,139,611,224	40,154,157,916	44,105,928,058	45,133,854,624

Selected Financial Ratios

(in % except for Earnings per Share)	As of December 31 (audited)			As of March 31 (unaudited)
	2022	2023	2024	2025
Return on Average Assets (1)	1.40%	1.80%	2.29%	2.21%
Return on Average Equity (2)	10.21%	11.72%	12.36%	10.85%
Net Interest Margin on Average Earning Assets (3)	4.66%	5.18%	6.00%	6.66%
Tier 1 Capital Adequacy Ratio (4)	23.99%	23.56%	22.52%	22.44%
Capital Adequacy Ratio (5)	24.85%	24.46%	23.56%	23.47%
Basic/Diluted Earnings per share (₱) (6)	8.62	10.61	12.20	2.84

(1) Net income divided by average total assets for the period indicated. Average total assets are based on outstanding balances at the beginning and end of the period divided by two.

(2) Net income divided by average total equity for the period indicated. Average total equity is based on outstanding balances at the beginning and end of the period divided by two.

(3) Net interest income divided by average interest-earning assets for the period indicated. Average interest-earning assets is based on outstanding balances at the beginning and end of the period divided by two. (Earning assets comprised of Due from BSP - Overnight and Term Deposit Facility, Due from Other Banks, Interbank Loans Receivable and Securities Purchased Under Resale Agreements, Loans & Discounts (Current), Bills Purchased, and Sales Contract Receivables, Financial Assets at Fair Value Through Profit or Loss ("FVTPL"), Financial Assets at Fair Value Through Other Comprehensive ("FVOCI"), Investment Securities at Amortized Cost and Other Assets - Liquidity requirement for electronic money products)

(4) Tier 1 capital divided by total risk weighted assets as reported to the BSP.

(5) Total qualifying capital divided by total risk-weighted assets, as reported to the BSP.

(6) Net income divided by weighted average number of outstanding common share for basic earnings per share. As of December 31, 2024, 2023 and 2022 and as of March 31, 2025, there were no potential common shares with dilutive effect on the basic Earnings Per Share ("EPS") of the Bank.

Source: PSBank

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis of Statements of Condition

As of March 31, 2025 (Unaudited) and December 31, 2024 (Audited)

The Bank recorded Total Assets as of March 31, 2025 at ₱221.98 billion. This was 2.60% higher than the ₱216.36 billion level in December 2024.

As of March 31, 2025, Loans and Receivables, net of allowance and unearned interest and discounts, representing 67.88% of total assets was higher by 4.77%, from ₱143.82 billion in December 31, 2024 to ₱150.69 billion recorded in March 2025. Auto, Real Estate and Commercial Loans grew by 7.22%, 2.68% and 1.76%, respectively.

Interbank Loans Receivable and Securities Purchased under Resale Agreements increased by ₱5.60 billion to ₱6.00 billion in March 2025 from ₱0.40 billion in December 2024. Cash and Other Cash Items went down by 2.84% to ₱1.73 billion in March 2025. Due from Other Banks decreased by ₱0.52 billion to ₱1.30 billion from ₱1.82 billion in December 2024. Meanwhile, due from Bangko Sentral ng Pilipinas, representing 1.15% of total assets, increased to ₱2.56 billion from ₱1.18 billion in December 2024.

As of March 31, 2025, FVOCI went down by 28.24% or ₱7.31 billion to ₱18.58 billion from ₱25.89 billion in December 2024. Investment Securities at Amortized Cost amounted to ₱29.59 billion as of March 2025, while FVTPL decreased by 49.48% or ₱148.73 million to ₱151.87 million in March 2025 from ₱300.60 million in December 2024. These investment securities represent 21.77% of the total assets as of March 31, 2025.

Investment Properties decreased by ₱50.30 million to ₱3.59 billion as of March 31, 2025. Property and Equipment went down by ₱33.28 million to ₱3.16 billion as of March 31, 2025.

Investments in a joint venture increased by 2.83% to ₱917.31 million in March 31, 2025, due to the recognition of PSBank's share in the net performance of Sumisho Motor Finance Corporation ("SMFC"), a joint venture between PSBank and Sumitomo Corporation. As of March 31, 2025, the Bank's ownership interest in SMFC is 30.00%.

Deferred Tax Assets decreased by 4.52% to ₱1.26 billion versus ₱1.32 billion in December 2024. Goodwill and Other Intangibles decreased by 9.63% or ₱44.38 million to ₱416.41 million in March 2025 from ₱460.79 million in December 2024.

Other Assets as of March 31, 2025 and December 31, 2024 amounted to ₱2.04 billion and ₱1.56 billion, respectively.

The Bank's deposit level, representing 95.95% of total liabilities, reached ₱169.68 billion, 3.12% higher than ₱164.55 billion in December 2024. Current and savings accounts ("CASA") increased by ₱1.16 billion to ₱74.44 billion and Time deposits increased by 4.34% to ₱95.24 billion in March 2025.

Treasurer's, Cashier's and Manager's Checks decreased to ₱1.44 billion in March 2025 from ₱1.62 billion in December 2024. Likewise, Accrued Taxes, Interest and Other Expenses decreased by ₱366.47 million to ₱1.88 billion from ₱2.25 billion in December 2024. As of March 31, 2025, Income Tax Payable is at ₱37.57 million.

Other Liabilities decreased by ₱21.24 million to ₱3.81 billion in March 2025 from ₱3.84 billion as of year-end 2024.

Total Capital remained strong at ₱45.13 billion, ₱1.03 billion higher than December 31, 2024 level of ₱44.11 billion. Fair Value Reserves on Financial Assets at FVOCI was recorded at ₱154.79 million in March 2025 versus ₱16.97 million in December 2024.

The Bank recorded Remeasurement Losses on Retirement Plan of ₱1.04 billion as of March 31, 2025 and December 31, 2024. Meanwhile, the Bank's share in the Remeasurement gains on retirement plan of a joint venture was posted at ₱2.42 million as of March 31, 2025 and December 31, 2024.

As of March 31, 2025, Cumulative Translation Adjustment amounted to ₱7.56 million.

As of March 31, 2025, Capital Adequacy Ratio ("CAR") was at 23.47%. This is above the minimum regulatory requirement of 10%.

Return on Average Equity ("ROAE") was registered at 10.85% in March 2025 compared to the 12.36% recorded in December 2024. Return on Average Assets ("ROAA") was at 2.21% in March 2025 versus 2.29% in December 2024.

B. Discussion of Results of Operations

For the three months ended March 31, 2025 (Unaudited) and March 31, 2024 (Unaudited)

The Bank reported ₱1.21 billion in net income for the first quarter of 2025 or a 0.59% increase compared to the first quarter of last year. The Bank's strong financial performance came from the double-digit growth in loans and muted costs brought by operational efficiencies.

Total Interest Income for the first quarter of 2025 was recorded at ₱4.32 billion, 0.94% lower than ₱4.36 billion in the same quarter last year. Total Interest Expense decreased to ₱1.05 billion from ₱1.32 billion year on year. Net Interest Income increased by 7.58% or ₱230.31 million to ₱3.27 billion versus the ₱3.04 billion posted during the same quarter last year.

Interest income on Loans and Receivables was recorded at ₱3.58 billion, 17.01% higher than ₱3.06 billion recorded on the same quarter last year. Interest income on Investment Securities decreased to ₱0.66 billion from ₱1.04 billion of the same period last year. Interest earned from deposits with BSP and other banks decreased to ₱16.82 million and ₱2.0 million, respectively. Likewise, Interest earned from Interbank Loans Receivable and SPURA went down to ₱65.91 million or 46.32% lower than the ₱122.79 million posted in 2024.

Interest Expense on the Bank's deposit liabilities decreased by 20.57% to ₱1.02 billion in March 2025. The Bank recorded ₱18.94 million in Interest Expense on lease liabilities and ₱5.63 million Interest Expense on bills payable for the quarter ended March 31, 2025.

Net Service Fees and Commission Income increased to ₱544.29 million, 21.71% higher than the ₱447.20 million recorded last year.

Meanwhile, Other Operating Income decreased by 54.08% or ₱233.80 million to ₱198.52 million for the first quarter of 2025.

The Bank posted a net gain (loss) on foreclosure and sale of chattel mortgage amounting to (₱69.84) million and ₱142.64 million for the quarter ended March 31, 2025 and March 31, 2024, respectively. Net gain on foreclosure and sale of investment properties amounting to ₱93.81 million in March 2025 from ₱140.85 million in March 2024. Gain on sale of property and equipment decreased to ₱0.61 million from ₱1.04 million of the same quarter last year. Miscellaneous Income was higher by 35.05% or ₱44.10 million to ₱169.91 million in March 2025. The Bank reflected a ₱1.18 million trading gains in 2025 versus ₱20.63 million trading gains in 2024.

Meanwhile, Foreign Exchange gain increased by ₱ 1.52 million to ₱ 2.85 million in March 31, 2025 from ₱1.34 million for the quarter ended March 31, 2024.

Other Operating Expenses, excluding provision for impairment and credit losses, decreased by 4.54% to ₱2.20 billion in March 2025 from ₱2.30 billion in March 2024. Taxes and Licenses went down by 13.46% or ₱57.48 million to ₱369.48 million from ₱426.96 million in 2024. Depreciation and amortization of Bank's properties and leasehold improvements rose to ₱247.39 million, 6.63% higher than ₱232.01 million recorded in March 2024. Meanwhile, amortization of software costs was recorded at ₱30.12 million in March 2025. Compensation and Fringe Benefits amounted to ₱1.04 billion while security, messengerial and janitorial services was recorded at ₱123.69 million. Occupancy and equipment-related cost amounted to ₱86.65 million in March 2025. Meanwhile, Miscellaneous Expenses was recorded at ₱306.72 million versus ₱402.81 million during the same period last year.

For the quarter ended March 31, 2025, the Bank set aside ₱413.23 million in provision for impairment and credit losses.

The Bank also reported share in net performance from its investment in SMFC amounting to ₱25.28 million in March 2025 from ₱21.64 million in March 2024.

March 2025 vs. March 2024 Comparative highlights on key performance indicators

1. Return on Average Equity ("ROAE") in March 31, 2025 decreased to 10.85% from 11.87% in the same period last year. ROAE measures how well the Bank is using common shareholders' invested money. It is calculated by dividing the annualized/normalized net income by the average of the outstanding balances of shareholders' equity at the beginning and ending of the period.
2. Return on Average Assets ("ROAA") increased to 2.21% from 2.04% in March 31, 2025 versus the same period last year. ROAA is calculated by dividing the annualized/normalized net income by the average of the outstanding balances of total assets at the beginning and ending of the period.
3. Net Interest Margin on Average Earning Assets ("NIM") was posted at 6.66% and 5.68% for the comparative periods of March 31, 2025 and 2024, respectively. NIM is calculated by dividing the net interest income by the average

earning assets. Average interest-earning assets is based on outstanding balances at the beginning and ending of the period divided by two. (Earning assets comprised of Due from BSP - Overnight and Term Deposit Facility, Due from Other Banks, Interbank Loans Receivable and Securities Purchased Under Resale Agreements, Loans & Discounts (Current), Bills Purchased, and Sales Contract Receivables, FVTPL, FVOCI, Investment at amortized cost and Other Assets - Liquidity requirement for electronic money products

4. EPS increased to ₱2.84 as of March 31, 2025 compared to the ₱2.82 EPS as of March 31, 2024. EPS represents the net profit the Bank has generated per common share. It is computed by dividing the year to date net income by the weighted average number of outstanding common shares.
5. Capital-to-Risk Assets Ratio was lower at 23.47% in March 2025 versus 24.60% in March 2024. CAR is the measure of the Bank's capital strength. It is calculated by dividing the qualified capital by risk-weighted assets as defined by the BSP.
6. Liquidity Ratio ("**LR**") was lower at 17.66% in March 2025 from 43.71% the same period last year. LR measures the Bank's ability to meet its short-term liabilities. It is derived by dividing the current assets by current liabilities.
7. Debt-to-Equity Ratio ("**DER**") decreased to 3.92:1 as of March 31, 2025 from 4.70:1 in March 2024. DER indicates the extent to which the Bank's leveraged, or financed by credit. This is computed by dividing total liabilities by total stockholder's equity.
8. Asset-to-Equity Ratio ("**AER**") decreased to at 4.92:1 as of March 31, 2025 from 5.70:1 as of March 31, 2024. AER is computed by dividing the total assets by total shareholder's equity.
9. Interest Rate Coverage Ratio ("**IRCR**") increased to 2.36:1 this year from 2.13:1 in March 2024. IRCR is a measure of the Bank's ability to meet its interest payments on outstanding debt. It is calculated by dividing the total earnings before interest and taxes over interest expense.

FORM OF PRICING SUPPLEMENT

PRICING SUPPLEMENT DATED [●]

OFFER OF SERIES “[●]”

BONDS

BY PHILIPPINE SAVINGS BANK

OF A MINIMUM OF PHP [●] WITH AN OVERSUBSCRIPTION OPTION

Under its ₱40,000,000,000 Programme

This document constitutes the Pricing Supplement relating to Series [●] Bonds being offered and described herein (the “Offer”). Terms used herein shall be deemed to be defined as such for the purpose of the terms and conditions (the “General Terms and Conditions”) set forth in the Trust Indenture and Offering Circular dated [●] 2025 (the “Offering Circular”). This Pricing Supplement contains the final terms of this Offer and the Series [●] Bonds and must be read in conjunction with the Offering Circular. Full information on the Bank and the Offer is contained in the Offering Circular and this Pricing Supplement. All information contained in the Offering Circular are deemed incorporated by reference in this Pricing Supplement.

Issuer	Philippine Savings Bank (the “Bank”)
Issue	Bonds constituting the direct, unconditional, unsecured and unsubordinated obligations of the Bank.
Specified Currency or Currencies	Philippine Peso
The Offer Size	Minimum of ₱[●] with an oversubscription option
Issue Price	At par (or 100% of face value)
Form and Denomination of the Bonds	The Series [●] Bonds shall be issued in scripless form in minimum denominations of ₱[●] each, and in multiples of ₱[●] thereafter, traded in denominations of ₱[●] in the secondary market.
Offer Period	The offer of the Bonds shall commence at [●]am on [●] and end at [●] pm on [●], or such other date as may be determined by the Issuer and the Arrangers
Issue Date	[●]
Interest Commencement Date	[●]
Interest Payment Date(s)	[●], of each year
Interest Rate	[●]% per annum
Manner in which the Interest Rate and Interest Amount is to be determined	[●]
Reference Rate	[●]
Margin	[●]
Interest Denomination Date	[●]

Day Count Fraction	30/360-day count basis
Maturity Date	[●] years from Issue Date or [●]
Rating	Unrated
Payment Account Name	PDTC as Paying Agent of PSBank Series [●] Bonds due 20[●]
Listing	The Series [●] Bonds are intended to be listed at the Philippine Dealing & Exchange Corp.

Persons and entities which are prohibited from purchasing holding the Series [●] Bonds of the Bank pursuant to the BSP Rules, specifically:

Prohibited Bondholders	(a) persons and entities which are prohibited from purchasing holding any Bonds of the Bank pursuant to BSP Circular No. 1010 series of 2018 as amended by BSP Circular No. 1062 series of 2019 and clarified by BSP Memorandum No. M-2020-01 dated 30 January 2020, specifically: (1) the Bank; and (2) the Bank's related parties (except for the Bank's trust department or its related trust entities) who are in possession or have access to material and non-public information affecting the pricing and marketability of the Bonds or that which substantially impacts an investor's decision to buy or sell the Bonds once the same are disseminated to the public; and (3) such other persons or entities as may be identified by the Bank, whether or not in possession or has access to material and non-public information affecting the pricing and marketability of the Bonds or that which substantially impacts an investor's decision to buy or sell the Bonds once the same are disseminated to the public; 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, which include: (1) a U.S. citizen (including dual citizen who may have another citizenship besides having a U.S. citizenship); (2) a U.S. resident alien for U.S. 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); (3) a US partnership; a U.S. corporation; (4) any U.S. estate; (5) any 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 (6) any other person that is not a non-US person; or (d) persons classified as a Restricted Party.

A **Restricted Party** means a person that is: (i) listed on, or owned or controlled by a person listed on, or acting on behalf of a person listed on, any Sanctions List; (ii) located in, organized or resident in, incorporated under the laws of, or owned or (directly or indirectly) controlled by, or acting on behalf of, a person located in or organized under the laws of a country or territory that is the target of country-wide or territory-wide Sanctions, including, without limitation, the Crimea Region, Cuba, Iran, North Korea, Sudan and Syria; or (iii) otherwise a target of Sanctions (target of Sanctions signifying a person with whom a US person or other national of a Sanctions Authority would be prohibited or restricted by law from engaging in trade, business or other activities)

Governing Law

Philippine Law

PROVISIONS RELATING TO REDEMPTION**Issuer Redemption Option**

N/A

Final Redemption Amount

At par or 100% face value on Maturity Date

Early Redemption Date

Upon election of the Bank when changes in tax, or changes in law or circumstance occur as set out in Condition [●] and [●] of the Terms and Conditions

Early Redemption Amount

100% face value plus accrued Interest, payable on redemption for changes in tax or for changes in law or circumstance (as set out in Condition [●] and [●] of the Terms and Conditions)

PARTIES**Trustee**

Development Bank of the Philippines – Trust Banking Group

Registrar & Paying Agent

Philippine Depository & Trust Corp.

Arrangers

[●]

Selling Agents

[●]

Market Maker

[●]

ADDITIONAL INFORMATION
Amendment or Supplement to the Offering Circular

[Changes or updates to the Offering Circular]

The Bank confirms the information contained in this Pricing Supplement and accepts responsibility therefor.

PHILIPPINE SAVINGS BANK

Issuer and Selling Agent

By:

Name:

Position:

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 adversely affected materially 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.

Considerations Relating to the Bank

Significant Shareholding by Metrobank

As of March 31, 2025, a significant portion of the equity of the Bank, or 88.38%, is owned by Metrobank. The next largest shareholder is Maria Soledad D.S. De Leon, who owns 6.32% of the Bank. There is no assurance that the interests of Metrobank will necessarily coincide with the interests of the Holders.

In addition, if there is any public perception in the Philippines that the Bank is reliant on the financial condition of the Metrobank Group, there could be a loss of confidence in the Bank's solvency among its depositors or creditors in the event of deterioration in the financial condition of the Metrobank Group. In particular, this could result in withdrawals of deposits or decrease in new deposits beyond levels anticipated by the Bank, or otherwise have a material adverse effect on the Bank's financial condition and results of operation.

Concentration of Loan Portfolio

As of March 31, 2025, the Bank's top 10 largest exposures account for 1.88% of the Bank's gross loan portfolio. There can be no assurance that these exposures would continue to perform their obligations to the Bank.

As of March 31, 2025, 93.92% or ₱142.57 billion of the Bank's gross loan portfolio is concentrated in three major economic activities. These include activities of households as employers and undifferentiated goods-and-services producing activities of households for own use at ₱99.30 billion or 65.41%, real estate activities at ₱39.79 billion or 26.22%, and other service activities at ₱3.48 billion or 2.29%.

Although the Bank's portfolio contains loans to a wide variety of businesses and individuals, financial difficulties in these industries and individuals could increase the level of NPLs and restructured assets, and adversely affect the Bank's business, financial position and results of operations.

Exposure to the Real Estate Market

The Bank has significant exposure to the Philippine real estate market as well as the level of real estate it holds as collateral. As at March 31, 2025, loans secured by real estate collateral accounted for 32.40% of the Bank's total secured loans to customers. Property prices collapsed following the Asian financial crisis but recovered until the global financial crisis in 2008 restrained demand. However, property demand and prices have since recovered on favorable macroeconomic conditions, increasing home ownership in the Philippines, and strong demand from families of overseas Filipino workers ("OFWs") as well as workers from the Information and Communication Technology ("ICT") and Business Process Outsourcing ("BPO") industries. Property prices are affected by a number of factors, including the supply of and demand for comparable properties, the rate of economic growth in the Philippines and political and economic developments.

To the extent that property values decline in the future, there can be no assurance that the Bank will be able to sell off and recover the full estimated value of its ROPA. Furthermore, in an extended downturn in the property market, 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. Accordingly, an extended downturn in the Philippine property sector could increase the level of the Bank's provisions set against its ROPA holdings, reduce the Bank's net income and, consequently, adversely affect the Bank's business, financial condition and results of operations generally.

High Level of Regulation

The Bank, being subject to the supervision and regulation of the BSP, is periodically audited by the BSP through the appropriate Supervision and Examination Sector for compliance with banking rules and regulations. While the Bank believes that as of March 31, 2025, it is fully compliant with all applicable rules and regulations and has effectively and efficiently implemented all corrective actions required, if any, to the satisfaction of the BSP, there can be no assurance that the Bank will at all times be compliant or that the BSP will find the operations or corrective measures taken by the Bank to be proper, acceptable or sufficient. In such cases, the Bank could be reprimanded, fined, or in extreme cases, have its banking license revoked, but at all times after due notice and hearing.

Level of Non-Performing Loans

As of March 31, 2025, the Bank's net NPL ratio was at 1.81% per published BSP report. Through the implementation of stringent credit policies, the Bank expects its NPLs to further taper off. Ongoing volatile economic conditions in the Philippines may adversely affect the ability of the Bank's borrowers to service their indebtedness and as a consequence the Bank may experience an increase in NPLs and provisions for probable losses. Although the Bank monitors closely current and future credit risk exposures, no assurance can be given that the amount of NPLs will not increase and will not have a material effect on the Bank's capital adequacy ratio, its operations, and financial condition. Any significant increase in the Bank's NPLs would have a material adverse effect on the Bank's financial condition, capital adequacy and results of operations

Secured Loans

As of December 31, 2023, 2024, and March 31, 2025, the Bank's secured loans represented 72.96%, 70.60%, and 68.02% of the Bank's total loans, and 24.75%, 22.99%, and 24.04% of the secured loans are secured by real estate. There can be no assurance that the collateral securing any particular loan will protect the Bank from suffering a partial or complete loss if the loan becomes non-performing. The recorded values of the Bank's collateral may not accurately reflect its liquidation value, which is the maximum amount the Bank is likely to recover from a sale of collateral, less expenses of such sale. There can be no assurance that the realized value of the collateral would be adequate to cover the Bank's loans. In addition, some of the valuations in respect of the Bank's collateral may also be out-of-date or may not accurately reflect the value of the collateral. Any decline in the value of the collateral securing the Bank's loans, including with respect to any future collateral taken by the Bank, would mean that its provision for credit losses may be inadequate and the Bank may need to increase such provision. Any increase in the Bank's provisions for credit losses could materially and adversely affect the Bank's business, financial condition results of operations, and capital adequacy ratios.

Furthermore, the Bank may not be able to recover in full the value of any collateral or enforce any guarantee due, in part, to difficulties and delays involved in enforcing such obligations through the Philippine legal system. In order to foreclose on collateral or enforce a guarantee, banks in the Philippines are required to follow certain procedures specified by Philippine law. These procedures are subject to administrative and bankruptcy law requirements 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 have exposed, and may continue to expose, the Bank to legal liability while in possession of the collateral. These difficulties may significantly reduce the Bank's ability to realize the value of its collateral and therefore the effectiveness of taking security for the loans it makes. The Bank carries the value of the foreclosed properties at the lower of the bid price and the loan balance plus accrued interest at the time of such foreclosures. While the Bank at each reporting date marks to market its foreclosed properties in accordance with financial reporting standards in the Philippines ("FRSP") for banks and BSP regulations, it may incur further expenses to maintain such properties. In realizing cash value for such properties, the Bank may incur further expenses such as legal fees and taxes associated with such realization.

Unsecured Loans

As of March 31, 2025, 31.98% of the Bank's lending portfolio was unsecured. Unsecured loans, which primarily consist of personal loans, loans to top tier corporates, and credit cards, entail a higher degree of credit risk than loans secured by collateral. Any increase in the level of NPLs with unsecured obligations could materially and adversely affect the Bank's business, results of operations and financial condition.

Consumer Debt Concentration

The Bank continues to sustain its growth in consumer loan operations, composed of auto loans, home loans and personal loans, including SME business. 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 that have a significant adverse effect on Philippine consumers could result in reduced growth and deterioration in the credit quality of the Bank's consumer portfolios. A rise in unemployment or an increase in interest rates could have an adverse impact on the ability of borrowers to make payments and increase the likelihood of potential defaults and NPLs, and reduce demand for consumer loans.

Implementation of Strategies

The Bank's ability to grow its revenue will partly depend on its ability to successfully implement business strategies, which may expose the Bank to a number of risks and challenges, including, among others, the following:

- new and expanded business activities may have less growth or profit potential than the Bank anticipates, and there can be no assurance that new business activities will become profitable at the level the Bank desires or at all;

- increase in competition that could affect bank's growth and financial stability;
- economic uncertainties which may impact interest rates, inflation and credit conditions particularly in the consumer loan industry.

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's success in implementing new strategies also depends upon, among other factors, the retention of its key management, senior executives and upon its ability to attract and retain other highly capable individuals. The loss of some of the Group's key management, senior executives or an inability to attract or retain other key individuals could hinder the Group's implementation of its strategies. The Bank's inability to implement its business strategy could materially and adversely affect the Bank's business, financial condition and results of operations.

In particular, the Bank may not be successful in relation to the introduction of new services and products. It is entering into new lines of business and expanding into new provincial areas in the Philippines in which it is likely to encounter significant competition from other banks already offering similar products and services being introduced. There can be no assurance that the Bank will be able to compete effectively against such existing banks. Furthermore, there may not be sufficient demand for such services and products, and they may not generate sufficient revenues relative to the costs associated with developing and introducing such services and products. Even if the Bank were able to introduce new products and services successfully, there can be no assurance that the Bank will be able to achieve its intended return on such investments.

Trading Activities Volatility

The Bank's asset portfolio is comprised primarily of loans to customers and investments in securities held at FVTPL, FVOCI securities and investment securities at amortized cost. As at December 31, 2024, the Bank's trading and investment securities portfolio was ₱58.50 billion.

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 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.

The varying gains recognized by the Bank as a result of its trading of securities have caused the Bank's trading income to vary significantly from period to period. For the years ended December 31, 2022, 2023 and 2024, the Bank reported a net trading gain/(loss) of ₱2.46 million, ₱5.29 million, and ₱14.29 million, respectively. A slowdown in domestic or global growth may make it more difficult for the Bank to generate substantial gains from its trading activities.

Customer Deposits

Customer deposits are the Bank's primary source of funding and the Bank intends to continue expansion of its deposit base, particularly low-cost sources such as CASA deposits to help fund its future loan growth. However, many factors affect the growth of deposits, some of which are beyond the Bank's control, such as economic and political conditions, availability of investment alternatives and retail customers' changing perceptions toward savings. For example, retail customers may reduce their deposits and increase their investment in securities for a higher return or increase their deposits in trust accounts, while small, mid-market and large corporate customers may reduce their deposits in order to fund projects in a favorable economic environment, or the Bank may need to increase the rates it offers to its customers to minimize deposit outflows, which would have an adverse impact on the Bank's cost of funding. If the Bank fails to maintain its desired level of deposits, the Bank's liquidity position, financial condition and results of operations may be materially and adversely affected. In such an event, the Bank may need to seek more expensive sources of funding (including external sources), and it is uncertain whether the Bank will be able to obtain additional funding on commercially reasonable terms as and when required, or at all. The Bank's ability to raise additional funds may be impaired by factors over which it has little or no control, such as deteriorating market conditions or severe disruptions in the financial markets.

Credit, Market, and Liquidity Risk

To the extent any of the instruments or strategies used by the Bank to manage its exposure to market or credit risk proves ineffective, the Bank may not be able to effectively mitigate its risk exposures, in particular to market environments or against particular types of risk. The Bank's balance sheet growth will be dependent upon economic conditions, as well as upon its determination to securitize, sell, purchase or syndicate particular loans or loan portfolios and availability of liquid funding sources with which to originate lending activities. 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 values of financial instruments caused by changes in market prices or rates. Profit or losses of the trading portfolios are closely monitored against loss triggers and stop-loss and Value-at-Risk ("VaR") limits. Interest rate structure is managed within the desired overall interest rate profile while remaining flexible to interest rate movements and changes in economic conditions. The Bank's earnings are dependent upon the effectiveness of its management of migrations in credit quality and risk

concentrations, the accuracy of its valuation models, its critical accounting estimates and the adequacy of its loan loss provisions. To the extent its assessments, assumptions or estimates prove inaccurate or not predictive of actual results, the Bank could suffer higher than anticipated losses. The successful management of credit, market and operational risk is an important consideration in managing the Bank's 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 risks could have an adverse effect on its business, financial position, results of operations, and capital adequacy ratios.

Interest Rate Risk

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

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This risk is a function of internal controls, information systems, employee integrity and operating processes. Operations risk has a very broad category that encompasses any risk not categorized as market or credit risk.

The Bank's operations are centralized in its Head Office in Makati. Although this is intended to promote efficiency, this set-up could also be a source of operational risk. The Bank mitigates this risk through its Business Continuity Program ("BCP") and Disaster Recovery Program to ensure operational effectiveness in case of business disruptions, system failures and disasters. The Bank's heavy reliance on technology for its operations also presents operational risks. To mitigate such, the Bank identifies and quantifies technology-associated risks to the greatest extent possible, and institutes standards and controls as appropriate.

Fraud Risk

The Bank is exposed to the risk that fraud and other misconduct committed by employees or outsiders could occur. Such incidents may adversely affect banks and financial institutions more significantly than companies in other industries due to the large amounts of cash that flow through the financial sector. Any occurrence of fraudulent events may damage the reputation of the Bank and may adversely affect its business, financial position, results of operations and prospects. In addition, failure on the part of the Bank to prevent such fraudulent actions may result in administrative or other regulatory sanctions by the BSP or other government agencies, which may be in the form of suspension or other limitations placed on the Bank's banking and other business activities. Although the Bank has in place certain internal mechanisms and procedures to prevent and detect fraudulent activities, these may be insufficient to prevent such occurrences from transpiring. There can be no assurance that the Bank will be able to avoid incidents of fraud in the course of its business.

Reputational Risk

The Bank is exposed to risk to earnings, capital and liquidity arising from negative perception on the Bank's customers, shareholders, investors, and employees, market analysts, media and other stakeholders such as regulators, and other government agencies, which can adversely affect the Bank's ability to maintain existing business relationships, establish new businesses or relationships, or continuously access sources of funding. The risk may also expose the Bank to litigation, financial loss, or a decline in customer base.

Legal Risk

The Bank is and may in the future be, implicated in lawsuits on an ongoing basis. Litigation could result in substantial costs to, and a diversion of effort by, the Bank or subject the Bank to significant liabilities to third parties.

There can be no assurance that the results of legal proceedings in which the Bank is involved 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. Further, there can be no assurance that: (i) losses relating to litigation will not be incurred beyond the limits, or outside the coverage, of bank insurance, or that any such losses

would not have a material adverse effect on the results of the Bank's business, financial position or results of operation, or (ii) provisions made for litigation related losses will be sufficient to cover the Bank's ultimate loss or expenditure.

Information Technology Risk

The Bank's businesses are heavily dependent on the ability to timely and accurately collect and process a large amount of financial and other information across numerous and diverse markets and products at its various branches, at a time when transaction processes have become increasingly complex with increasing volume and at a time of increased disruption to the financial services sector from the emergence of financial technology firms. The proper functioning of the Bank's financial control, risk management, accounting or other data collection and processing systems, together with the communication networks connecting the Bank's various branches and offices is critical to its business and its ability to compete effectively. The Bank employs a core banking system with a centralized database to support its domestic and international business operations. The core banking system is linked to the Bank's electronic channels including ATMs, internet banking, and mobile banking, which provide online real-time transaction processing. The data on the Bank's core banking system, centralized database and electronic channels are protected with real-time backup and replication infrastructure. Any failure in the Bank's systems or implementing new systems, particularly for retail products and banking transactions, could have a negative effect on its business, financial condition and results of operations.

The Bank is subject to risks relating to its information and technology systems and processes. The IT hardware and software used by the Bank in its information technology is 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 and telephone companies. Any disruption, outage, delay or other difficulties experienced by any of these information and technology systems could result in delays, disruptions, losses or errors that may result in loss of income and decreased consumer confidence in the Bank. These may, in turn, adversely affect the Bank's business, financial position 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 digitization 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 cyber security 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 as well as the reputation of the Bank.

CONSIDERATIONS 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 Group's businesses.

The Philippine economy has experienced volatility in the value of the Peso and also limitations to the availability of foreign exchange. In July 1997, the BSP announced that the Peso can be traded and valued freely on the market. As a result, the value of the Peso underwent significant fluctuations between July 1997 and December 2004.

Substantially all of the Group'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 Group's business, financial position and results of operations.

Substantially all of the Group's business activities and assets are based in the Philippines, which exposes the Group to risks associated with the country, including the performance of the Philippine economy. Historically, the Group has derived substantially all of its revenues and operating profits from the Philippines and, as such, their businesses are highly dependent on the state of the Philippine economy. Demand for banking services, residential real estate, automobiles, electricity and insurance are all 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 amount of remittances received from OFWs and 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;
- exchange rate fluctuations and foreign exchange controls;
- rising inflation or increases in interest rates;
- levels of employment, consumer confidence and income;
- changes in the Government's fiscal and regulatory policies;
- Government budget deficits;
- adverse trends in the current accounts and balance of payments of the Philippine economy;
- public health epidemics or outbreaks of diseases, such as COVID-19, monkeypox, re-emergence of Middle East Respiratory Syndrome-Corona virus ("MERS-CoV"), SARS, avian influenza (commonly known as bird flu), or H1N1, or the emergence of another similar disease 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;
- geopolitical tensions between the Philippines and other claimant countries concerning disputed territories in the West Philippine Sea; and
- other regulatory, social, political or economic developments in or affecting the Philippines.

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

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

The Philippines has, from time to time, experienced political and military instability, including acts of political violence. 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 in the Philippines, including extra-judicial killings, alleged electoral fraud, impeachment proceedings against two former presidents, two chief justices of the Supreme Court of the Philippines, and public and military protests arising from alleged misconduct by previous administrations.

On May 9, 2022, the Philippine general elections for national and local officials took place with Ferdinand Marcos, Jr. being proclaimed president and Sara Duterte being proclaimed vice-president. Since the 2022 Philippine general elections, there have been public disagreements between the incumbent president and the vice-president. The latter resigned as Secretary of Education in June 2024, a post she held following her appointment by the president. The vice-president has since alleged that threats have been made against her life, attributing them to the present government.

On February 5, 2025, the House of Representatives of the Philippines approved the articles of impeachment of the vice-president of the Philippines and forwarded the same to the Senate. Following the transmittal of the articles of impeachment to the Senate of the Philippines, the impeachment trial for the vice-president of the Philippines is expected to commence in accordance with applicable laws and regulations. On June 10, 2025, the Senate of the Philippines moved to remand the articles of impeachment to the House of Representatives of the Philippines. On June 11, 2025, the House of Representatives of the Philippines adopted House Resolution No. 2346 to certify that the impeachment proceedings initiated by it adhered to the 1987 Constitution. Additionally, the House of Representatives deferred accepting the articles of impeachment pending further clarification from the Senate of the Philippines about its decision to remand the same. On June 25, 2025, the Senate Impeachment Court announced its decision to further delay the start of impeachment trial until the House prosecution panel has a new composition mandated by the 20th Congress. Meanwhile, the Supreme Court, acting on petitions challenging the impeachment of the vice-president, directed the

House of Representatives and the Senate, in a Resolution dated 8 July 2025, to give specific information and documents relating to the impeachment. On July 18, 2025, the House of Representatives complied with the directive of the Supreme Court and maintained that it has handled all four (4) impeachment complaints against the vice-president in compliance with the 1987 Constitution.

In addition, a number of officials of the Philippine government are currently under investigation or have been indicted on corruption charges stemming from allegations of misuse of public funds, extortion, bribery, or usurpation of authority. On March 11, 2025, the Philippine National Police implemented the arrest warrant issued by the International Criminal Court ("ICC") and arrested Former President Rodrigo Duterte in connection with the ICC charge against him for crimes against humanity in relation to killings in the war on drugs. After his arrest, the Philippine government turned over custody of Duterte to the ICC in the Hague. As of the date of this Offering Circular, the Former President Duterte awaits trial in the Hague.

There can be no assurance that there will not be any future political events, as well as acts of election-related or other political violence, that could destabilize the Philippines resulting in a negative effect on the general economic conditions of the country. There can also be no guarantee that the current or any future government will adopt economic policies that are conducive to sustained economic growth or which do not materially and adversely impact the current regulatory environment. A major deviation from the policies of the immediate past administration or fundamental change of direction, including with respect to Philippine foreign policy, may lead to an increase in political or social uncertainty and instability. Any such event could have a material impact on the Bank's business, financial position, and results of operations.

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

Historically, the Philippines has been subject to a number of terrorist attacks, and the Armed Forces of the Philippines has been in conflict with groups which have been identified as being responsible for kidnapping and terrorist activities in the Philippines.

For example, in May 2017, the city of Marawi in Lanao del Sur, Mindanao, was assaulted by the Maute Group, terrorists which were inspired by pledged allegiance to the Islamic State of Iraq and Syria ("ISIS"). Due to the clash between the Government forces and the terrorists and the risk of the armed conflict spilling over to other parts of Mindanao, martial law was declared in the entire island of Mindanao, Philippines. Martial law in Mindanao was extended three times until it expired on December 31, 2019 after two and a half years. On August 24, 2020, twin explosions in Jolo, Sulu Province in Mindanao were carried out by suicide bombers linked to the Abu Sayyaf group, killing 14 people and wounding 75 others. On May 8, 2021, over a hundred members of the ISIS-linked Bangsamoro Islamic Freedom Fighters ("BIFF") occupied a town market in Maguindanao for several hours and forced families to flee their homes. A clash between the Philippine military and the BIFF members ensued on May 11, 2021, where five (5) BIFF members were killed. On December 3, 2023, a bombing occurred in the middle of a Catholic mass service at the Mindanao State University in Marawi City, which killed four individuals and injured dozens more.

An increase in the frequency, severity or geographic reach of these terrorist acts, violent crimes, bombings and similar events could have a material adverse effect on investment and confidence in, and the performance of, the Philippine economy. Any such destabilisation could cause interruption to the Bank's business and materially and adversely affect the Bank's financial conditions, results of operations and prospects.

Further, continued conflicts between the Government and separatist groups could lead to further injuries or deaths by civilians and members of the Armed Forces of the Philippines, which could destabilise parts of the Philippines and adversely affect the Philippine economy. There can be no assurance that the Philippines will not be subject to further acts of terrorism or violent crimes in the future, which could have a material adverse effect on the Bank's business, financial condition, and results of operations.

Public health crises 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.

In December 2019, an outbreak of the disease COVID-19, caused by a novel coronavirus (SARS-CoV-2) was first reported to have surfaced in Wuhan, the People's Republic of China, later resulting in millions of confirmed cases and hundreds of thousands of fatalities globally, with thousands of confirmed cases and more than a thousand fatalities in the Philippines. In March 2020, the World Health Organization ("WHO") declared the COVID-19 outbreak a global pandemic. While the WHO has declared the COVID-19 pandemic to be over in May 2023, there are still active and recurring cases globally, including in the Philippines. In July 2023, the President of the Philippines issued Presidential Proclamation No. 297, effectively lifting the state of public health emergency caused by the COVID-19 pandemic throughout the Philippines.

The disruption and uncertainty caused by COVID-19 has severely and adversely affected the Philippine economy, resulted in higher unemployment rates, closure of small businesses and significantly dampened outlook for large enterprises or conglomerates. These, together with the adverse effects on industries such as global airline, retail,

tourism, real estate and logistics, and supply chains, led to slower deposit and loan growth in the banking industry and increased exposure of banks to greater credit risk, which led to higher NPLs particularly in the retail and tourism industries, SMEs, and unsecured borrowers. Further, Government stimulus policies such as interest rate cuts, the BSP moratorium on loan and interest repayments, waiver of late fees, and deferral of credit card payments, led to decreased margins for the banking industry and caused a decline in profitability. In addition, the measures implemented by the Philippine government to mitigate the negative impact of COVID-19 in the Philippine economy have caused disruption to businesses and economic activities. The Bank's business has been adversely affected by the COVID-19 pandemic and consequential economic downturn.

The Philippines has also experienced other public health epidemics or outbreaks of diseases, such as avian influenza or bird flu, African Swine Fever, Ebola virus, MERS-CoV, Zika virus, dengue and polio, among others, which have adversely affected the local economy. For example, in 2019, the Department of Health declared a national dengue outbreak with 437,089 cases recorded for the year with 2,620 deaths. Furthermore, in September 2019, the Department of Health declared a polio epidemic after a case of the disease was recorded in Lanao del Sur after 19 years recording no cases in the country.

On August 14, 2024, the WHO declared the mpox (formerly known as monkeypox) outbreak as a public health emergency of international concern. A few days after the WHO declaration or on August 19, 2024, the Philippine government announced that it detected the first case of mpox virus in the country in 2024. In response, the Philippine government ordered the close contacts of the patient to undergo mandatory quarantine. In addition, the Philippine government continues to undertake close surveillance of any potential spread of mpox. Since 2024, the Philippines has recorded a total number of 911 cases of mpox since 2024.

Any government restrictions and regulations to curb any public health crises or outbreak or resurgence of infectious diseases, including the imposition of community quarantine, may adversely affect business operations and lead to further contraction of the Philippine economy, inevitable closure of business operations, and exponential rise in unemployment rates. There can be no assurance that any current or future outbreak of contagious diseases will not have a material adverse effect on 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.

Competing and overlapping territorial claims by the Philippines, China and several Southeast Asian nations (such as Vietnam, Brunei and Malaysia) over certain islands and features in the West Philippine Sea (South China Sea) have for decades been a source of tension and conflicts.

China claims historic rights to nearly all of the West Philippine Sea based on its so-called "nine-dash line" and in recent years dramatically expanded its military presence in the sea which has raised tensions in the region among the claimant countries. In 2013, the Philippines became the first claimant country to file a case before the Permanent Court of Arbitration, the international arbitration tribunal based at the Hague, Netherlands to legally challenge claims of China in the West Philippine Sea and to resolve the dispute under the principles of international law as provided for under the United Nations Convention on the Law of the Sea ("UNCLOS"). In July 2016, the tribunal rendered a decision stating that the Philippines has exclusive sovereign rights over the West Philippine Sea (in the South China Sea) and that the nine-dash line" claim of China is invalid. The Philippine government, under the Duterte administration, has taken action to de-escalate tensions concerning the territorial dispute with China.

Recent years have seen increased frequency of incidents as well as heightened intensity of confrontations between Chinese Coast Guard and Philippine personnel in the West Philippine Sea. These have resulted in public accusations and diplomatic protests from both countries. In early August 2023, a Chinese Coast Guard ship used a water cannon against Philippine supply boats to prevent them from approaching the contested Second Thomas Shoal (Ayungin Shoal to the Philippines and Ren' ai Reef to China) in the Spratly Islands, where Filipino military personnel are stationed. The move, which was caught on video, outraged President Marcos, Jr. and prompted the Department of Foreign Affairs in Manila to summon the Chinese ambassador to convey a strongly worded protest. In September 2023, the Philippine Coast Guard removed a floating barrier that was deployed by China at a disputed reef that was deployed by China to block Filipinos from the traditional fishing ground within the exclusive economic zone of the Philippines. In November 2023, a Chinese ship fired water cannons at M/L Kalayaan while the latter was on a resupply mission to troops stationed at BRP Sierra Madre in the Second Thomas Shoal, a former US Navy ship that has been grounded in the Second Thomas Shoal since 1999. The Philippines also claimed that ships belonging to a Chinese maritime militia were involved in the harassment and that inflatable boats belonging to the Chinese Coast Guard were similarly involved. The Philippine Embassy in Beijing has protested the latest incidents to the Chinese Foreign Ministry. In several instances, Chinese Coast Guard ships used water cannons against Philippine-registered vessels, including a smaller military-contracted vessel during a resupply mission to the Ayungin Shoal, and Philippine-government vessels distributing fuel and food to the fisherfolk in the Scarborough Shoal. Subsequently, the Chinese coast guard boarded a Philippine vessel. The Philippine government lodged another diplomatic protest against China and is engaging in discussions with the US regarding escalating tensions in the West Philippine Sea. As of January 13, 2025, the Philippines has filed a total of 199 diplomatic protests against China during President Marcos, Jr.'s tenure. Despite these protests, confrontations between the Chinese Coast Guard and the Philippine Coast Guard and civilian vessels continued throughout 2024, confrontations

which included the use of grey-zone tactics by the Chinese Coast Guard such as water cannons, the ramming of vessels, and most recently, the use of acoustic devices and high-powered lasers.

In July 2024, the Philippines and China held their first formal dialogue since the incident, convening the 9th Meeting of their Bilateral Consultation Mechanism on the South China Sea in Manila. Discussions focused on their respective positions on Ayungin Shoal and affirmed their commitment to de-escalating tensions. While the Philippines was able to complete a resupply mission to its troops without incident under a new provisional agreement with China aimed at mitigating tensions, another incident occurred in August 2024 whereby the Philippine military reported that the Chinese Air Force executed “dangerous and provocative actions” over the South China Sea. Two People’s Liberation Army aircraft dropped flares and performed hazardous maneuvers while a Philippine Air Force patrol was over Scarborough Shoal. No Philippine crew was harmed. Tensions further escalated when the Philippines and China accused each other of ramming vessels and performing dangerous maneuvers in the West Philippine Sea shortly after the incident in August 2024.

There is no guarantee that the territorial dispute between the Philippines and other countries, including China, would end or that any existing tension will not escalate further, as China has taken steps to exercise control over the disputed territory. In such event, the Philippine economy may be disrupted and its business and financial standing may be adversely affected.

Any deterioration in the Philippine economy as a result of these or other factors, including a significant depreciation of the Philippine peso or increase in interest rate, may adversely affect consumer sentiment and lead to a reduction in consumer spending generally. This, in turn, could materially and adversely affect the Bank’s financial condition and results of operations, and its ability to implement its business strategy and expansion plans.

The sovereign credit ratings of the Philippines may adversely affect the Group’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 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.

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

Although a principal objective of Philippine securities laws and the Philippine Stock Exchange (“PSE”) listing rules is to promote full and fair disclosure of material corporate information, there may be less publicly available information about Philippine public companies, such as the Bank, than is regularly made available by public companies in the U.S. and other countries. As a result, Noteholders 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 Philippine SEC with respect to corporate governance standards, these standards may differ from those applicable in other jurisdictions.

For example, the Philippine SEC recommends publicly listed companies, such as the Bank, to have at least three independent directors or such number of independent directors as to constitute at least one-third of the members of the Board of Directors, whichever is higher. As at March 31, 2025, the Bank currently has four (4) independent directors. 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 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.

Natural or other catastrophes, including severe weather conditions, may adversely affect the Group's business materially disrupt the Group'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, floods, droughts, volcanic eruptions and earthquakes. For example, in January 2020, Taal Volcano, which is located approximately 50 kilometers south of Manila, erupted in mid-January 2020, spewing ashes across several towns and cities in Cavite, Laguna, Batangas, Rizal and Quezon, Metro Manila and even some parts of Central Luzon. The phreatic eruption caused the evacuation of nearby areas, and interrupted business operations as well as electricity and internet connectivity. In July 2022, a magnitude 7.0 earthquake struck Abra province in Northern Luzon, causing multiple casualties, cutting off power and fresh water in some areas and causing damage estimated at about ₱316.00million. In October 2022, Typhoon Nalgae, locally known as Typhoon Paeng, led to severe flooding and storm damage and displaced thousands in the areas affected. In July 2023, the National Disaster Risk Reduction and Management Council reported that around 5,882,288 people had been affected by tropical storm Egay. Its heavy rainfall and strong winds caused damage to infrastructure in Regions 1, 2, 5, 6, 11, 12, and MIMAROPA, amounting to an estimate of over ₱1.00 billion in damages, and damage to agriculture amounting to an estimated ₱800.00 million. In August 2023, another super typhoon, Goring, caused damage amounting to an estimated ₱442.00 million in the Cordillera, Ilocos, Cagayan Valley, and MIMAROPA regions. In December 2023, a magnitude 7.4 earthquake and magnitude 6.8 earthquake hit the province of Surigao del Sur in the span of three days, resulting in at least three casualties and leaving 79 people injured. In November 2024, Typhoon Pepito/Man-yi caused widespread destruction, severe flooding and landslides and displaced thousands of people, prompting several provinces in Luzon to declare a state of calamity.

Natural catastrophes will continue to affect the Philippines. 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 material uninsured loss could materially and adversely affect the Bank's business, financial condition and results of operations.

CONSIDERATIONS RELATING TO THE PHILIPPINE BANKING INDUSTRY

The Philippine banking industry is highly competitive and increasing competition may result in declining margins in the Group'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.

The recent mergers and consolidations in the banking industry, as well as the liberalization of foreign ownership regulations in banks, have allowed the emergence of foreign and bigger local banks in the market. For example, there has been increased foreign bank participation in the Philippines following the Monetary Board's lifting of the ban on granting of new licenses, 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, Shinhan Bank, Yuanta Bank, United Overseas Bank, First Commercial Bank of Taiwan, Hua Nan Commercial Bank, Ltd. and Chang Hwa Commercial Bank 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, and Tyme Group in GoTyme Bank Corporation. In addition, the establishment of the ASEAN Economic Community in 2015 may enhance cross-border flows of financial services (in addition to goods, capital, and manpower) among member nations. This is expected to increase the level of competition both from Philippine banks and branches of international banks. This may impact the Philippine banks' operating margins, but this would also enhance the industry's overall efficiency, business opportunities and service delivery. As of March 30, 2025, there were a total of 41 thrift banks operating in the Philippines, based on BSP's report on the Physical Network of the Philippine Banking System.

In the future, the Bank may face increased competition from financial institutions offering a wider range of commercial banking services and products, larger lending limits, greater financial resources and stronger balance sheets than the Bank. Increased competition may arise from:

- other large Philippine banks and financial institutions with significant presence in Metro Manila and large country-wide branch networks;
- full entry of foreign banks in the country through any of the following modes allowed under Republic Act No. 10641 (approved on July 15, 2014): (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 leveraged 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 financial technology, or new technology that seeks to improve and automate the delivery and use of financial services (“FinTech”), including businesses such as an all-digital bank formed by CIMB and ING Direct; recently-approved digital bank licenses given to UNObank, Overseas Filipino Bank (“OFBank”), Tonik Digital Bank, Union Digital Bank, GOTyme, and Maya Bank; mobile payment tools or e-wallet applications such as GCash and PayMaya and the growing popularity of peer-to-peer lending through digital platforms; and
- as banks venture into micro-finance and other consumer financing products, other consumer-focused players, including informal lenders.

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.

Uncertainties and instability in global market conditions could adversely affect the Bank’s business, financial condition, and results of operations.

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

For example, on January 31, 2020, the UK withdrew from the EU. On December 24, 2020, a trade agreement was concluded between the EU and the United Kingdom (EU-UK Trade and Cooperation Agreement), and it applied provisionally since the end of the transition period ending on December 31, 2020. The EU-UK Trade and Cooperation Agreement has been ratified by the UK Parliament, the European Parliament and the Council of the European Union and entered into force on May 1, 2021. If certain other states within the Eurozone were to exit the European Union, or following the occurrence of such other reform as contemplated herein, such countries may not be able to meet their existing debt obligations or may default on these obligations, which could have a ripple effect across sovereign states and the private sector in Europe and the rest of the world and possibly lead to a global economic crisis. Any changes to the euro currency could also cause substantial currency readjustments across Europe and other parts of the world, further exacerbating the credit crisis. These events and uncertainties could adversely impact the Bank’s business, financial condition and results of operations.

In addition, volatile conditions across major economies and the policy environment persist, including inflationary pressures in certain major economies, with the US increasing and maintaining interest rates to reduce inflation, the imposition of tariffs by the US and retaliatory tariffs by other nations, the “trade war” between the US and China, protracted economic slowdown in China, the Russo-Ukrainian War, and the conflict between Israel and Palestine in Gaza.

In particular, in March and April 2025, the US imposed “retaliatory tariffs” on exports from nearly every other nation and jurisdiction in the world, which has prompted other jurisdictions and major economies such as the European Union, Canada, and China to retaliate with tariffs on US exports. The imposition of tariffs and escalating trade war has severely shocked equity and commodity markets and increased volatility to levels not seen since the global financial crisis in 2008 or the beginning of the COVID-19 pandemic in 2020. As a result of the imposition of tariffs, based on news reports, certain economists and banks have predicted a major slowdown in US and global growth and an increased probability of a recession in the near term. As of April 10, 2025, the US had imposed tariffs of over 100% on China, and China has imposed tariffs of over 80% on certain US exports.

Further, the implementation of US tariffs has been unpredictable at times, with US President Donald Trump’s administration threatening to impose additional tariffs on certain sectors such as pharmaceutical products and semiconductors, or pausing or deferring the effective date of tariffs, or announcing different goals to be achieved by the tariffs (e.g., eliminating trade deficit or bringing back manufacturing or creating jobs, etc.) The uncertainty in the US tariff policy and implementation has jolted and severely increased volatility and uncertainty in the equity and debt markets.

The Philippines is one of the jurisdictions subject to US tariffs. In a letter dated 9 July 2025, US President Donald Trump’s administration set the tariff rate on the Philippine goods coming to the US at 20%, effective on 1 August 2025. Although the tariff of 17% imposed by the US on exports from the Philippines is lower than that of other Southeast Asian nations (including Cambodia and Thailand), there is no assurance that such actions will be able to abet or mitigate any negative

or long-term effects of the raised tariffs on the Philippine economy or the potential reduction in US consumption or demand for Philippine exports.

There can be no assurance that the uncertainties affecting global markets, including the US tariff policy or escalating trade war between the US and other countries, will not add to further negative impact on credit markets in Asia, including in the Philippines. The success of the Bank's banking business is highly dependent upon its ability to maintain certain minimum liquidity levels, and any rise in market interest rates could materially and adversely affect the Bank's liquidity levels and force it to reduce or cease its offering of certain banking and other financial services. These developments may adversely affect trade volumes with potentially negative effects on the Philippines.

Interest rate volatility could significantly affect the Bank's financial condition and results of operations.

A significant portion of the Bank's assets consists of, and a significant portion of its revenue is derived from, assets that are monetary in nature. Although the Bank engages only in limited trading activities through positions in fixed income instruments and, to some extent, in financial derivative instruments, which are mostly to facilitate other banking services to its customers, these assets are subject to the normal risks associated with investing activities, including the risk that a change in market prices, rates, indices, volatility, correlations, liquidity or other factors may result in losses for a specific position or portfolio. 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, geopolitical conflict, and global developments. Any new shocks to prices of some key commodities may shift BSP's policy decision and may cause the Monetary Board to increase policy rates to ensure price stability.

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

An increase in interest rates could lead to a decline in the value of securities in the Bank's portfolio and the Bank's ability to earn excess trading gains as revenue. A sustained increase in interest rates will also raise the Bank's funding costs without a proportionate increase in loan demand (if at all). Rising interest rates will therefore require the Bank to re-balance its assets and liabilities in order to minimize the risk of potential mismatches and maintain its profitability. In addition, rising interest rate levels may adversely affect the economy in the Philippines and the financial position and repayment ability of its corporate and retail borrowers, including holders of credit cards, which in turn may lead to a deterioration of the Bank's credit portfolio in addition to lower levels of liquidity in the system which may lead to an increase in the cost of funding. 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 Philippine banking sector may face another downturn, which could materially and adversely affect the Group.

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. 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. Fresh disruptions in the Philippine financial sector, or general economic conditions in the Philippines, in Asia or globally, 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.

Philippine banks face regulatory pressure to comply with new and stricter capital standards, liquidity and leverage standards, as well as meet prudential limits for real estate exposures (REE).

The BSP Monetary Board approved major revisions to the country's risk-based capital adequacy framework on July 1, 2007, to align the current framework with the Basel II standards as issued by the Basel Committee on Banking Supervision ("BCBS"), which is an international committee of banking supervisory authorities. Basel II standards make regulatory capital requirements more risk sensitive and reflective of all, or at least most, of the risks financial institutions are exposed to. In terms of minimum capital requirements, Basel II standards include the addition of specific capital requirements for credit derivatives, securitisation exposures, counterparty risk in the trading book, and operational risk.

In December 2010, a new update to the Basel Accords, known as Basel III, was issued by the BCBS containing new standards that modify the structure of regulatory capital. The Basel III regulations include tighter definitions of Tier 1 capital and Tier 2 capital, the introduction of a leverage ratio, changes in the risk weighting of counterparty credit risk, a framework for counter-cyclical capital buffers, and short and medium-term quantitative liquidity ratios. The revised standards also distinguish further (i) Tier 1 capital, which is also referred to as Going-Concern Capital, and is composed of Common Equity and Additional Tier 1 capital; and (ii) Tier 2 capital, which is also referred to as Gone-Concern capital

and establish new eligibility criteria for such capital instruments previously not implemented in regulatory capital instruments.

In response to Basel III, the BSP and Monetary Board imposed a number of new requirements, including a capital surcharge to banks deemed as Domestic Systemically Important Banks (“**D-SIB**”), with compliance to be phased in starting from January 2017, as well as increased minimum capital requirements for banks in all categories and new liquidity requirements for local banks such as the Liquidity Coverage Ratio (“**LCR**”) and the Net Stable Funding Ratio (“**NSFR**”). In March 2016, the Monetary Board announced that it had approved the LCR framework which requires universal and commercial banks to hold sufficient High-Quality Liquid Assets (“**HQLAs**”) that can be easily converted into cash to service liquidity requirements over a 30-day stress period. The approval of the LCR framework by the Monetary Board provides for an observation period from July 1, 2016 until the end of 2017, during which banks are required to commence reporting their LCR to the BSP. On January 1, 2018, the LCR threshold that banks will be required to meet will be 90%, which will be increased to 100% commencing on January 1, 2019. Banks are required to publicly disclose information related to the LCR on solo and consolidated bases beginning January 1 2019. This is required to be disclosed in single currency, to be published in the quarterly published balance sheet, as well as in the annual reports or published financial reports.

In January 2018, the Monetary Board approved the adoption of a minimum leverage ratio requirement for universal banks, commercial banks and their subsidiary banks and quasi-banks. Beginning on July 1, 2018, covered institutions must maintain a leverage ratio of no lower than 5%. The leverage ratio is a non-risk-based measure, which serves as a backstop to the CAR. The BSP introduced the leverage ratio framework in June 2015, under Circular No. 881 with the implementation limited to monitoring purposes. With the Monetary Board’s recent decision, the leverage ratio will form part of Basel III minimum capital requirements, along with the 6% CET1 ratio, 7.5% tier 1 (Tier 1) ratio and the 10% CAR.

On June 6, 2018, the BSP issued Circular No. 1007, which imposed a NSFR framework on all universal and commercial banks, including subsidiary banks and quasi-banks, on both solo and consolidated basis. The NSFR Framework seeks to limit overreliance on short-term wholesale funding and to promote enhanced assessment of funding risk across all on- and off- balance sheet accounts. Said covered entities are required to maintain an NSFR of at least 100% at all times. The BSP issued the implementing guidelines, template and details on the submission of the NSFR report, with an observation period that ran from July 1, 2018 to December 31, 2018. Actual implementation began on January 1, 2019. Covered banks are required to submit an NSFR report, monthly on a solo basis, and quarterly on a consolidated basis, accompanied by a certification on compliance with the NSFR requirement for all calendar days.

In December 2018, the Monetary Board approved the Philippine adoption of the Basel III countercyclical buffer (“**CCyB**”), completing the BSP’s implementation of international standards for banks in terms of capital. The BSP under Circular No. 1024 initially set the CCyB at 0%, citing that the ongoing build-up of credit does not pose an imminent risk. The CCyB is subject to upward adjustment to a rate determined by the BSP when systemic conditions warrant but not to exceed 2.5%. Any increase in the CCyB rate shall be effective 12 months after its announcement. Meanwhile, reductions in the buffer take effect immediately.

As a result of these directives, the Bank is exposed to the risk that the BSP may increase applicable capital requirements and other supplementary requirements from time to time. Any incremental capital requirement may adversely impact the Bank’s ability to grow its business and may even require the Bank to withdraw from or curtail some of its business operations. There can also be no assurance that the Bank will be able to raise adequate additional capital in the future on terms favorable to it.

In December 2017, the BCBS came out with a document finalizing the reforms which will amend the methodology to banks’ calculation of their risk weighted assets (“**RWAs**”), as well as sets a capital floor of 72.5% using the standardized approach that includes credit risk, counterparty credit risk, credit valuation adjustment (CVA) risk, securitization, market risk and operational risk. The implementation date for the Basel IV amendments begins on January 1, 2022, except for the capital floor which shall be phased in over five years (i.e., 50% effective January 1, 2022, and gradually increased to “fully loaded” 72.5% beginning January 1, 2027). The BSP has not set any timetable for implementation for Philippine banks, thus the impact remains uncertain.

On February 13, 2020, the BSP issued Memorandum No. M-2020-003 which provided guidelines on the electronic submission of the Basel III NSFR Report and LCR Report. It states that all subsidiary banks and quasi-banks must observe the guidelines for the live implementation of the NSFR and LCR reports commencing from the reporting period ending January 31, 2020, in line with BSP Circular Nos. 1034 and 1035, both dated March 15, 2019.

However, on May 4, 2020 the BSP issued BSP Memorandum Circular No. M-2020-039, pursuant to which universal and commercial banks, and their subsidiary banks and quasi-banks, may permit CCyB and LCR levels to fall below the minimum regulatory requirements during the COVID-19 pandemic. For further detail, including with respect to the restoration of capital and liquidity requirements related to Basel III requirements, see “Banking Supervision and Regulation”.

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 and may even require the Bank to withdraw from or to curtail some of its current business operations, which could materially and adversely affect the Bank's business, financial condition and results of operations. There can also be no assurance that the Bank will be able to raise adequate additional capital in the future at all or on terms favourable to it. In addition, the implementation of Basel III may require the Bank to divest itself of certain non-allied undertakings. If the Bank is forced to sell all or a portion of certain subsidiaries or associates, its business, financial condition or results of operations could be adversely affected. There can be no assurance that the Bank will be able to meet the requirements of Basel III as implemented by the BSP. In addition, the 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.

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 opening of new branches whenever a bank's CAR falls below 12% on a non-consolidated and consolidated basis. Likewise, it will also prohibit the distribution of dividends whenever a bank's CET1 ratio and CAR falls below 8.5% and 10% respectively.

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

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

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

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

Changes to regulations and guidelines issued by regulatory authorities in the Philippines, including the BSP, the BIR and international bodies, including the Financial Action Task Force (the FATF) may have an adverse impact on the Bank.

The Bank is regulated principally by, and has reporting obligations to, the BSP. The Bank is also subject to the banking, corporate, taxation and other laws in effect in the Philippines. The regulatory and legal framework governing the Bank differs in certain material respects from that in effect in other countries and may continue to change as the Philippine economy and commercial and financial markets evolve. In recent years, existing rules and regulations have been modified, new rules and regulations have been enacted and reforms have been implemented which are intended to provide tighter control and more 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 reserve requirements of Philippine banks and the banking industry's exposure to the real estate sector.

For example, while the Philippines enacted Republic Act No. 9160, or the Anti-Money Laundering Act of 2001 (the **Anti-Money Laundering Act** or "**AMLA**") to introduce more stringent anti-money laundering regulations, these regulations did not initially comply with the standards set by the FATF. However, following pressure from the FATF, an amendment to the Anti-Money Laundering Act, Republic Act No. 9194, became effective on March 23, 2003. In January 2005, the Philippines was removed from the list of Non-Cooperative Countries and Territories ("**NCCTs**"), confirming that AMLA measures to remedy deficiencies that were originally identified by the FATF were in place. AML systems (including strict customer identification, suspicious transaction reporting, bank examinations, and legal capacities to investigate and prosecute money laundering) were all identified to be of a satisfactory nature. In June 2012, President Benigno S. Aquino III signed into law Republic Act No. 10167, which added two measures intended to further strengthen the country's campaign against money laundering. These measures included criminalizing terrorist financing activities as

well as allowing the Government, upon determination of probable cause, to examine bank accounts or investments ex parte, or without informing the account holder concerned. The enactment of these measures resulted in the Philippines being upgraded by the FATF to the anti-money laundering compliance “gray list”, signifying sufficient progress in the country’s campaign against money laundering and terrorist financing. There can be no assurance however, that current Philippine AML systems will continue to be effective against money laundering and similar transactions, as shown by the recent incident involving a large Philippine universal bank in an international money laundering case. Any deficiencies or lapses, whether minor or material, in such systems could result in sanctions against Philippine banks, including the Bank, and other financial institutions or persons included in the web of transfers and currency conversions, which could adversely affect its reputation, business and operations or cause it to be in breach of its contractual obligations.

On February 15, 2013, then President Aquino signed into law Republic Act No. 10365, which expanded the AMLA covered institutions and crimes. This law took effect on March 7, 2013 and required jewelry dealers to report transactions worth ₱1.0 million and above. The law also requires the Philippine Land Registration Authority to submit to the Anti-Money Laundering Council (“**AMLC**”) reports covering real estate purchases worth ₱500,000 and above. Aside from this, predicate crimes – or those criminal acts where the law may also be applied if money is involved – were also expanded to cover 20 additional offenses or crimes, including bribery, extortion, malversation of public funds, fraud and financing of terrorism

The controversy involving the U.S.\$81 million theft involving the Bangladesh central bank account in 2016 prompted Philippine legislators and agencies, such as the Department of Finance and the BSP, to propose further amendments to the AMLA. On March 15, 2017, BSP issued Circular 950 Series of 2017 containing the amendments approved by the Monetary Board to the Anti-Money Laundering-Combating the Financing of Terrorism (“**AML/CFT**”) regulations. The changes reflected the amendments to the AMLA that took effect in January 2017 as well as the recommendations from the FATF and added the requirements for group-wide AML compliance function and monitoring systems are incorporated for a holistic management and prevention of money laundering and terrorist financing risks.

On July 14, 2017, President Rodrigo Duterte signed into law Republic Act No. 10927 which further amended the AMLA to include casinos in the coverage of the law. The amendments categorize any single casino cash transaction of more than ₱5 million, or its equivalent in other currencies, as a “covered transaction” which must be reported to the AMLC, and also grants authority to the Philippine Court of Appeals (“**Court of Appeals**”), upon verified petition by AMLC and after determination of existence of probable cause, to issue a 20-day freeze order against any monetary instrument or property linked to unlawful activities as those defined and enumerated under the AMLA.

On June 25, 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 eighteen (18) action items required within the prescribed timelines to ensure the country’s removal from such list. Progress reports must likewise be submitted to the FATF thrice a year. The AMLC emphasized, however, that the Philippines will not yet be subjected to countermeasures. It is only when a country fails to meet the deadlines that the FATF will call on countries to impose countermeasures against it. In January 2023, the BSP communicated that the Philippines had missed the first deadline on the same month but had similarly disclosed that the country was given another year, or until January 2024, to meet the requirements in order to facilitate its exit from the grey list. In February 2025, the Philippines was taken off the grey list of the FATF.

There can be no assurance however, that current Philippine AML systems will continue to be effective against money laundering and similar transactions, as shown by the U.S.\$81 million theft involving the Bangladesh central bank account in 2016. Any deficiencies or lapses, whether minor or material, in such systems could result in sanctions against Philippine banks, including the Bank, and other financial institutions or persons included in the web of transfers and currency conversions, which could adversely affect its reputation, business and operations or cause it to be in breach of its contractual obligations.

In April 2012, the BSP implemented Circular No. 753 (“**Circular 753**”), which provided for the unification of the statutory/legal and liquidity reserve requirements applicable to banks, the exclusion of vault cash as eligible forms of reserve requirement compliance, and the reduction in the unified reserve requirement ratios (e.g., from 21% to 18% for universal commercial banks). Circular 753 also terminated the interest on reserve deposits placed with the BSP. In its meeting in May 2019, the Monetary Board of the BSP decided to reduce the reserve requirements by 200 basis points given the continued downtrend in inflation and to help mitigate any tightness in domestic liquidity conditions. The adjustments in the reserve requirements were implemented on a staggered basis as follows: 100 basis points on May 31, 2019; 50 basis points on June 28, 2019, and 50 basis points to 16% on July 26, 2019. The BSP has further announced rate cuts since such date, and has reduced the reserve requirement for universal and commercial banks to 5.0% as of March 28, 2025.

To better monitor the banking industry’s exposure to the property sector, the BSP issued Circular no. 600 in 2008 approved the guidelines that effectively widened the scope of banks’ REE to include mortgages and loans extended to the following: individuals to finance the acquisition or construction of residential real estate for own-occupancy as well as land developers and construction companies for the development of socialized and low-cost housing. Securities investments issued for purposes of financing real estate activities are also included. In 2012, the BSP issued Memorandum No. M-2012-046, on the expanded report on REE, designed to measure and monitor the aggregate

exposure of the banking system to the real estate market. Further, in 2017, the BSP issued Circular No. 976 which requires banks to report granular information on their real estate loans to mid- and high-end housing units, in addition to socialized and low-cost housing. Under the new reporting rules, covered banks are also required to report commercial real estate loans as to the underlying commercial project being financed such as residential units, office buildings, malls and factory/plant facilities. Universal and commercial banks shall also be required to submit a new Report on Project Finance Exposures which shall include information in terms of type of infrastructure project and project phase. Circular 976 also clarified the definitions of loans to finance infrastructure projects for public use that are currently exempt from the 20% limit on real estate limits as provided under BSP Circular 600, the expanded definition of REE, and the Real Estate Stress Test limits. As these guidelines are for monitoring purposes only, banks shall continue to comply with the 20% adjusted REE limit. There is no guarantee, however, that the BSP will not enforce further tightening of REE limits in the future to head off potential asset bubbles.

In May 2013, the BSP released Circular No. 794, on new guidelines governing its Special Deposit Account (“SDA”) facility limiting SDA access by trust departments/entities to fund management activities of trust accounts effective January 1, 2014 and banning other fiduciary business including agency accounts and investment management activities access to the SDA facility. The new rules likewise required banks to wind down all SDA placements not consistent with the BSP memorandum by at least 30% by July 31, 2013, until these were eventually phased out by on November 30, 2013. In addition, the BSP intermittently reduced SDA rates by a total of 150 basis points in 2013 to 2.0%. Further, the participation of Unit Investment Trust Funds (“UITFs”) in SDA facilities was gradually wound down, i.e., 50% in December 2016, 30% in March 2017 and fully terminated in June 2017 in line with the BSP’s adoption of the interest rate corridor (“IRC”).

In July 5, 2016, the BSP implemented the IRC which effectively narrowed the band among the BSP’s key policy rates. The pricing benchmark, which used to be the SDA prior to the IRC, is now replaced by the overnight deposit facility (“ODF”), and forms the lower bound of the IRC. Meanwhile, the overnight lending facility (“OLF”) replaced the repurchase facility (“RP”). The BSP likewise introduced the Term Deposit Facility (“TDF”) to serve as the main tool for absorbing liquidity through weekly TDF auctions, the frequency for which may be changed depending on the BSP’s liquidity forecasts. According to the BSP, the changes from IRC were purely operational in nature to allow it to conduct monetary policy effectively. The ODF and OLF currently stand at 5.25% and 6.25%.

On June 23, 2016, the BSP issued Circular No. 914, Series of 2016, amending the prudential policy on loans, other credit accommodations, and guarantees granted to DOSRI, subsidiaries and affiliates. The circular raised the ceilings on the exposures of subsidiaries and affiliates of banks to priority programs particularly infrastructure projects under the Philippine Development Plan/Public Investment Program (“PDP/PIP”) needed to support economic growth; in particular, exposures to subsidiaries and affiliates in PDP/PIP projects were increased to 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. Furthermore, 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 amended the capital treatment of exposures to affiliates by weighing the risk of both the secured and unsecured loans granted to affiliates. The circular further excludes 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.

Philippine banks also face the threat of being assessed for DST upon their issue of passbooks for higher interest rate deposits. The Philippine Supreme Court has held that special savings accounts granting a higher tax rate to depositors who are able to maintain the required minimum deposit balance for the specified holding period, and evidenced by a passbook, are certificates of deposit bearing interest and thus subject to DST.

On June 23, 2023 and June 29, 2023, the BSP issued Circular No. 1175 and Circular No. 1176, respectively, which lowered the rates of required reserves against deposit and deposit substitute liabilities in local currency of banks, with effect from reserve week of June 30, 2023 for universal and commercial banks, to 9.5% 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 (Philippine branch of a foreign bank).

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

The Bank’s and Metrobank’s provisioning policies in respect of classified loans require significant subjective determinations, which may increase the variation of application of such policies.

BSP regulations require that Philippine banks, including the Bank and Metrobank, to classify NPLs based on four different categories corresponding to levels of risk: Loans Especially Mentioned, Substandard, Doubtful and Loss. Generally, classification depends on a combination of a number of qualitative as well as quantitative factors such as the number of months payment is in arrears, type of loan, terms of the loan and the level of collateral coverage. These requirements have in the past, and may in the future, be subject to change by the BSP. Periodic examination by the BSP of these classifications may also result in changes being made by the Bank and Metrobank to such classifications

and to the factors relevant thereto. 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.

The level of provisions currently recognized by the Bank and Metrobank in respect of their loan portfolios depends largely on the quality of the portfolio and estimated value of the collateral coverage for the portfolio. Although the Bank and Metrobank have a policy to test their loan portfolios for impairment on a quarterly basis in order to ensure adequacy of provisions as needed and in line with changing market conditions, the level of the Bank's and Metrobank's provisions may not be adequate to cover increases in the amount of their NPLs, or any deterioration in the overall credit quality of the Bank's and Metrobank's loan portfolios, including the value of the underlying collateral. In particular, the amount of the Bank's and Metrobank's reported loan losses may be influenced by factors beyond their control. For instance, certain accounting standards have been adopted in the Philippines based on International Accounting Standards, which currently require the Bank's and Metrobank's loan loss provisions to reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions with the objective of recognizing lifetime losses on all financial instruments which have experienced a significant increase in credit risk since their initial recognition.

Furthermore, the introduction of new accounting standards resulted in the Bank and Metrobank recognising significantly higher provisions for loan loss in the future. 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 provisions in the future.

Any future changes in PFRS Accounting Standards may affect the financial reporting of the Group's business.

PFRS Accounting Standards continues to evolve as new standards and interpretations come into effect.

A discussion on the newly adopted PFRS and amendments to existing standards to be adopted or which will be effective after 2024 can be found in Note 2.1 of the Bank's audited financial statements as at December 31, 2023 and 2024 and for the three years ended December 31, 2024 included elsewhere in this Offering Circular.

The Bank believes that other amendments and improvement to PFRS Accounting Standards issued effective after December 31, 2024 will not have material impact on the Bank's future financial statements.

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, in particular 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 OFW remittances
- The large foreign debt of the Government and the corporate sector, relative to the gross domestic product ("GDP") of the Philippines; and
- 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 Group, 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 Group's financial condition, liquidity and results of operations. According to data from the BSP, the average monthly NPL ratios exclusive of interbank loans of the Philippine banking system were 3.2%, 3.3% and 3.3% as of the years ended December 31, 2022, 2023, and 2024.

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.

If the Group were not to comply with FATCA, this may cause material and adverse impact on the Group's business, financial conditions and results of operations.

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

FATCA impacts a number of organisations and individuals. It first affects U.S. persons with income abroad. Secondly, foreign financial institutions ("FFIs") that invest in U.S. markets will be impacted as well as U.S. financial institutions that do business with FFIs. Additionally, local government and taxing authorities in each country will see the effects of the act as well. It also brought forth an expansion of tax reporting for non-resident aliens. An FFI will have to set up a process to identify U.S. accounts as part of its onboarding procedures. Once that is in place, it will also have to identify any current accounts with U.S. indicia. Additionally, there is a need to set up a process to monitor account changes for indicia of U.S. status.

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

There is a requirement for PFFIs to withhold 30% of income from recalcitrant account holders in order to comply with FATCA. A recalcitrant account holder is one who fails to comply with reasonable requests pursuant to IRS mandated verification and due diligence procedures to identify U.S. accounts, to provide a name, address and TIN or fails to provide a bank secrecy waiver upon request.

Specific to the Group's compliance with FATCA, the Bank and its subsidiaries registered on March 11, 2014 as an Expanded Affiliate Group i.e., Metropolitan Bank & Trust Company (lead financial institution) and subsidiaries — First Metro (including First Metro Securities, PBC Capital Investment Corporation, First Metro Asset Management Inc. (including First Metro Save & Learn Dollar Bond Fund, First Metro Global Opportunity Fund, Inc. and First Metro Philippine Equity Exchange Traded Fund, Inc.)), Resiliency SPC, Inc., PSBank, Metrobank Card Corporation, Orix Metro Leasing and Finance Corporation and Metropolitan Bank (China) Limited. The Bank subsequently updated its FATCA status and registered as a Reporting Financial Institution under a Model 1 Intergovernmental Agreement (IGA). The Bank's FATCA ID and Global Intermediary Identification Number is IBMW8G.00010.ME.608.

Under the IGA, the local tax authority and the Philippine Bureau of Internal Revenue ("BIR") are the competent authority to receive FATCA information for reporting to the IRS. FATCA reporting will not take place until the PH-US FATCA IGA has been concurred by the Philippine Senate and has entered into force.

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. Republic Act No. 10963, or the Tax Reform for Acceleration and Inclusion ("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.

Among the amendments from the TRAIN Law included increasing the rate of documentary stamp tax ("DST") on the original issue of shares of stock and debt instruments. The original issue of shares is now subject to DST of ₱2.00 for each ₱200.00, or a fractional part thereof, of the par value of the shares issued. Meanwhile, all such affected debt instruments are generally subject to DST at the rate of ₱1.50 on each ₱200.00, or fractional part thereof, of the issue value of such instruments.

Meanwhile, Republic Act No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act ("CREATE Law"), was signed into law on March 26, 2021, lowering the corporate income tax and rationalizing fiscal incentives granted to investors.

Under the CREATE Law, the corporate income tax rate for domestic corporations with total assets of ₱100 million and below (excluding land on which the particular business entity's office, plant, and equipment are situated during the taxable year for which tax is imposed), and with net taxable income of ₱5 million and below (MSMEs under CREATE Law), shall be taxed at 20%; the income tax rate for other domestic and resident foreign corporations was reduced to 25%; the income tax rate of nonresident foreign corporations was reduced to 25%; the minimum corporate income tax ("MCIT") rate was reduced to 1%, instead of 2%, until June 30, 2023; and the provisions for improperly accumulated earnings tax was repealed. For incentives, the total period of incentive alignment has been increased to 17 years, while other incentives will depend on the industries defined by the National Economic and Development Authority and ability to generate jobs.

Republic Act No. 12066 or the CREATE MORE Law, which took effect on November 28, 2024, provides for further amendments regarding corporate income tax rates by giving registered business enterprises ("RBEs") the option to choose between the special corporate income tax rate of 5% or the enhanced deduction regime ("EDR") at the beginning of their commercial operations. The implementing rules and regulations of the CREATE MORE Act was signed on February 17, 2025, and became effective on February 20, 2025.

On January 22, 2024, Republic Act No. 11976 or the Ease of Paying Taxes ("EOPT") Act was enacted. The EOPT Act introduced administrative tax reforms aimed at modernizing tax administration, improving efficiency, and ensuring fair treatment of taxpayers, among others. The EOPT Act requires the digitalization of BIR services, such as the adoption of an integrated and automated system for basic tax services and setting up of electronic and online systems for data exchange. The EOPT Act amends certain provisions of the Tax Code covering income tax, value-add tax, other percentage taxes, and tax compliance. The EOPT Act now mandates all VAT-registered persons, whether engaged in the sale of goods or properties or sale of services, to issue a VAT invoice. VAT-registered persons who are engaged in the sale of services or lease of property are no longer required to issue a VAT official receipt. The relevant rules and regulations implementing the EOPT Act took effect on April 27, 2024.

On May 29, 2025, the president signed into law Republic Act No. 12214 or the Capital Markets Efficiency Promotion Act ("CMEPA"), subject to the President's exercise of line-item veto powers. The law took effect on July 1, 2025.

CMEPA introduces, among others, the following amendments to the Tax Code: (i) expansion of the definition of "securities" to include (a) investment contracts, certificates of interest, or participation in a profit-sharing agreement, such as certificates of deposit for a future subscription, (b) fractional undivided interests in oil, gas, or other mineral rights, (c) certificates of assignment, certificates of participation, trust certificates, voting trust certificates, or similar instruments, and (d) other similar instruments as may be determined by the Securities and Exchange Commission; (ii) removal of the tax exemption enjoyed by taxpayers on interest from long-term deposits and the imposition of a 20% final withholding tax on interest income; (iii) imposition of a 15% final withholding tax on capital gains from the sale, exchange, or other disposition of shares of stock in a domestic or foreign corporation, except through a local or foreign stock exchange; (iv) a change in the rate of documentary stamp tax for original issuance of shares from ₱2.00 for every ₱200.00 pesos (or fractional part thereof) of the par value, to 75% of 1% of the value of the par value of share such shares of stock; (v) imposition of documentary stamp tax in the amount of 75% of 1% of the value of the transaction for transactions involving selling or transferring bonds, debentures, certificates of stock, or certificates of indebtedness issued in any foreign country; (vi) imposition of documentary stamp tax in the amount of 75% of 1% of the issue price of debt instruments; and (vii) reduction of stock transaction tax from 0.60% to 0.10% for sales of shares of stock listed and traded through the local stock exchange, including transactions regarding shares of domestic corporations through a foreign stock exchange.

The other tax reform packages that the government hopes to implement include tax amnesty (estate, general), as well as "sin" (e.g., alcohol, gaming), property, passive income and financial intermediaries, and luxury taxes. While the tax reform program ensures fiscal sustainability, the dampening impact of higher taxes on consumer demand and affected industries (in terms of added costs), could slow down the country's growth pace and affect the Bank's business. Further, the new regulations may directly affect the business and results of operations of the Bank. If the Bank is unable to comply with existing and new rules and regulations applicable to it, it could incur penalties and its business reputation may suffer, which could have a material adverse effect on its business, financial position and results of operations.

CONSIDERATIONS RELATING TO THE BONDS

Risks relating to unaudited interim financial statements deemed incorporated by reference

Any published unaudited interim financial statements of the Issuer (whether prepared on a consolidated or a nonconsolidated 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.

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 behaviour of any relevant indices and financial markets; and
 - be able to evaluate (either alone or with the help of a financial advisor) 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 advisor) 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 Issuer may be unable to redeem the Bonds.

At maturity, the Issuer will be required to redeem all of the Bonds. If such an event were to occur, the Issuer 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 in such event may also be limited by the terms of other debt instruments. The failure by the Issuer to repay, repurchase or redeem tendered Bonds would constitute an event of default under the Bonds, which may also constitute a default under the terms of other indebtedness of the Issuer. The Issuer has a very strong business franchise in the Philippines. It has a strong recurring cash flow and maintains a low debt-equity ratio and a high level of liquidity in its balance sheet. The Issuer believes that it has sufficient resources which will allow it to service the principal and interest of the Bonds.

Liquidity for the Bonds

The Bonds are a new issue of securities for which there is currently no trading market. Even if the Bonds are listed on the PDEX, trading in securities such as the Bonds may be subject to extreme volatility at times, in response to fluctuating interest rates, developments in local and international capital markets and the overall market for debt securities among other factors, which may affect liquidity. Although the Bonds are intended to be listed on PDEX as soon as reasonably practicable, no assurance can be given that an active trading market for the Bonds will develop and, if such a market were to develop, the Arrangers are under no obligation to maintain such a market. The liquidity and the market prices for the Bonds can be expected to vary with changes in market and economic conditions, the financial position and prospects of the Company and other factors that generally influence the market prices of securities. The Bank has no control over this risk as active trading of the Bonds is highly dependent on the Bondholders.

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 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 Bondholder may face possible gain or loss if the Bonds are sold at the secondary market.

As with all fixed income securities, the Bonds' market values move (either up or down) depending on the change in interest rates. The Bonds when sold in the secondary market are worth more if interest rates decrease since the Bonds

have a higher interest rate relative to the market. Likewise, if the prevailing interest rate increases, the Bonds are worth less when sold in the secondary market. Therefore, holders may either make a gain or incur a loss when they decide to sell the Bonds.

The Bonds have no preference under Article 2244(14) of the Civil Code.

Under Philippine law, in the event of liquidation of a company, unsecured debt of the company (including guarantees of debt) which is evidenced by a public instrument as provided in Article 2244 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 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.

The Bonds are required to be listed on an established exchange. 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 are 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 10% 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.

CONSIDERATIONS RELATING TO THE STRUCTURE OF THE PARTICULAR ISSUE OF BONDS

A wide range of Bonds may be issued under the Programme and these Bonds may have features which contain particular risks for investors.

A wide range of Bonds may be issued under the Programme. A number of these Bonds may have features which contain particular risks for investors. Set out below is a description of certain such features and associated risks.

Notes subject to optional redemption by the Bank

An optional redemption feature of Bonds is likely to limit their market value. During any period when the Bank may elect to redeem Bonds, the market value of those Bonds generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Bank may be expected to redeem Bonds when its cost of borrowing is lower than the interest rate on the Bonds. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Bonds being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Index Linked Notes and Dual Currency Notes

The Bank may issue Bonds with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a **Relevant Factor**). In addition, the Bank may issue Bonds with principal or interest payable in one or more currencies which may be different from the currency in which the Bonds are denominated. Potential investors should be aware that:

- (a) the market price of such Bonds may be volatile;
- (b) they may receive no interest;
- (c) payment of principal or interest may occur at a different time or in a different currency than expected;
- (d) they may lose all or a substantial portion of their principal;
- (e) Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (f) if a Relevant Factor is applied to Bonds in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (g) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index or other Relevant Factor should not be viewed as an indication of the future performance of such Relevant Factor during the term of any Bonds. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Bonds linked to such a Relevant Factor and the suitability of such Bonds in light of its particular circumstances.

Partly-paid Notes

The Bank may issue Bonds where the issue price is payable in more than one installment. Any failure by an investor to pay any subsequent installment of the issue price in respect of the Bonds could result in an investor losing all of his investment.

Variable rate Notes with a multiplier or other leverage factor

Bonds with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

Inverse Floating Rate Bonds have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Bonds typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Bonds are more volatile because an increase in the reference rate not only decreases the interest rate of the Bonds, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Bonds.

Fixed/Floating Rate Notes

Fixed/Floating Rate Bonds are Notes which may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Bank has the right to effect such a conversion, this will affect the secondary market and the market value of the Bonds the Bank may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Bank converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Bonds may be less favorable than then prevailing spreads on comparable Floating Rate Bonds tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other. If the Bank converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Bonds.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount (such as Zero-Coupon Notes) or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

The regulation and reform of “benchmark” rates of interest and indices may adversely affect the value of Bonds linked to or referencing such “benchmarks”.

Interest rates and indices which are deemed to be or used as “benchmarks” are the subject of recent international regulatory guidance and proposals for reform, particularly in the United Kingdom. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Bonds linked to or referencing such a benchmark. Regulation (“EU”) 2016/1011 (the “**Benchmarks Regulation**”) was published in the Official Journal of the EU on June 29, 2016 and will apply from January 1, 2018 (with the exception of provisions specified in Article 59 (mainly on critical benchmarks) that apply from June 30, 2016 and July 3, 2016). The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. It will, among other things, (i) require benchmark administrators to be authorized or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognized or endorsed) and (ii) prevent certain uses by EU supervised entities (such as the Issuer) of benchmarks of administrators that are not authorized or registered (or, if non-EU based, not deemed equivalent or recognized or endorsed).

The Benchmarks Regulation could have a material impact on any Bonds linked to or referencing a benchmark, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the benchmark.

More broadly, any of the international reforms, particularly in the United Kingdom or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a

benchmark and complying with any such regulations or requirements. For example, the sustainability of the London interbank offered rate (“**LIBOR**”) has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including as a result of regulatory reforms) for market participants to continue contributing to such benchmarks. On July 27, 2017, the United Kingdom Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the “**FCA Announcement**”). The FCA Announcement indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the terms and conditions, or result in other consequences, in respect of any Bonds linked to such benchmark (including but not limited to floating rate Bonds whose interest rates are linked to LIBOR). Such factors may have the following effects on certain benchmarks: (i) discourage market participants from continuing to administer or contribute to the benchmark; (ii) trigger changes in the rules or methodologies used in the benchmark or (iii) lead to the disappearance of the “benchmark”. Any of the above changes or any other consequential changes as a result of international reforms, particularly in the United Kingdom or other initiatives or investigations, could have a material adverse effect on the value of and return on any Bonds linked to or referencing a benchmark.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation or any other international reforms in making any investment decision with respect to any Notes linked to or referencing a benchmark.

USE OF PROCEEDS

The issuance of the Bond, after deducting fees, commissions, and other related expenses will give PSBank an opportunity to access long-term funding as the Bank further expands its consumer banking business. This will also diversify the Bank's funding base and tap a wider investor base targeting both institutional and individual investors.

CAPITALIZATION OF THE BANK

The following table sets out the capitalization of the Bank and indebtedness of the Bank (i) as of March 31, 2025. The following selected financial information should be read together with other portions of this Offering Circular.

Capitalization of the Bank

(In P)	As of March 31, 2025 (Unaudited)
Liabilities	
Deposit Liabilities	
Demand	26,004,757,556
Savings	48,437,359,343
Time	95,236,803,675
	169,678,920,574
Bonds Payable	–
Treasurer's, Cashier's and Manager's Checks	1,437,075,160
Accrued Taxes, Interest and Other Expenses	1,879,977,530
Income Tax Payable	37,574,406
Other Liabilities	3,814,693,407
Total Liabilities	176,848,241,077
Equity	
Common Stock	4,268,594,160
Capital Paid in Excess of Par Value	11,418,563,257
Surplus Reserves	1,049,164,351
Surplus	29,271,274,588
Net Unrealized Loss on Financial Assets at Fair Value Through Other Comprehensive Income	154,794,802
Remeasurement Losses on Retirement Plan	(1,038,514,167)
Equity in Remeasurement Gains on Retirement Plan of a Joint Venture	2,421,056
Cumulative Translation Adjustment	7,556,577
Total Equity	45,133,854,624
Total capitalization and indebtedness	221,982,095,701

TERMS AND CONDITIONS OF THE BONDS

The following are the General Terms and Conditions of the Bonds to be issued under the Bank's ₱40,000,000,000 Bond Programme which will be incorporated by reference into each Series or Tranche of Bonds issued pursuant thereto. The Programme was established on June 28, 2019. The applicable Pricing Supplement in relation to any Series or Tranche of Bonds shall specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following General Terms and Conditions, replace or modify the following General Terms and Conditions for the purpose of such Series or Tranche of Bonds.

The Bonds were authorized pursuant to a resolution of the Board of Directors of Philippine Savings Bank (the "Bank") dated March 13, 2019 and are covered by a Trust Indenture (the "Trust Indenture") dated on or about June 28, 2019, as amended on July 18, 2025, made between the Bank and Development Bank of the Philippines – Trust Banking Group (the "Trustee" which expression shall wherever the context permits, include all other persons or companies for the time being acting as trustee or trustees under the Trust Indenture). The description of the general terms and conditions of the Bonds set out below includes summaries of, and is subject to, the detailed provisions of the Trust Indenture and the Offering Circular. A registry and paying agency agreement dated on or about June 28, 2019 (the "Registry and Paying Agency Agreement"), as amended on July 18, 2025, has been entered into in relation to the Programme and the issuance of Bonds pursuant thereto between the Bank and Philippine Depository & Trust Corp. as paying agent and registrar (hereinafter referred to as "PDTC", or in its capacity as registrar, the "Registrar", or in its capacity as paying agent, the "Paying Agent"). References to a "Condition" are to conditions as respectively numbered and set forth herein.

Unless otherwise defined herein, capitalized terms used herein shall have the meaning ascribed to such terms in the Trust Indenture.

Copies of the Trust Indenture and the Registry and Paying Agency Agreement are available for inspection during normal business hours at the specified offices of the Trustee. The holders of the Bonds are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Indenture and are deemed to have notice of those provisions of the Registry and Paying Agency Agreement applicable to them.

1. Definition of Terms

In these General Terms and Conditions:

"Adverse Effect"	means any material and adverse effect on: (a) the ability of the Bank to duly perform and observe its obligations and duties under the Bonds and the Contracts; (b) the condition (financial or otherwise), prospects, results of operations or general affairs of the Bank or the Group; or (c) the legality, validity and enforceability of the Contracts;
"Anti-Money Laundering Laws Of The Philippines"	means Republic Act No. 9160, Republic Act No. 9194, Republic Act No. 10365, Republic Act No. 10927, and Republic Act No. 11521, its implementing rules and regulations, and related laws, rules and regulations including: Republic Act No. 10173 or the Data Privacy Act of 2012; Republic Act No. 10168 or the Terrorism Financing Prevention and Suppression Act of 2012; Republic Act No. 9510 or the Credit Information System Act; Republic Act No. 9165 or the Comprehensive Dangerous Drugs Act of 2002; Republic Act No. 11479 or the Anti-Terrorism Act of 2020, as these may be amended from time to time, and BSP Circular Nos. 251, 253,279, 527, 564, 608, 612, 706, and 950, and all other amendatory and implementing law, regulation, jurisprudence, notice or order of any Philippine governmental body relating thereto;
"Arrangers"	means First Metro Investment Corporation and ING Bank N.V., Manila Branch, appointed by the Bank in respect of each Series or Tranche of the Bonds, and excludes any entity whose appointment has been terminated pursuant to the Programme Agreement;
"Auditors"	means SyCip, Gorres, Velayo & Company, or any other auditor which may be appointed by the Bank to audit and review its financial statements;
"Bank"	means Philippine Savings Bank, the issuer of the Bonds;
"Bonds"	means fixed-rate bonds and/or the floating rate bonds to be issued under the Programme with maturities of more than one year;
"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 the Bonds;
"BSP"	means the Bangko Sentral ng Pilipinas;
"Business Day"	means any day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets in Manila and Makati City are not required or authorized to

	close for business. All other days not otherwise specified in these General Terms and Conditions shall mean calendar days;
“Contracts”	means: (a) the Programme Agreement dated on or about June 28, 2019 between the Bank and the Arranger and Initial Selling Agents, as supplemented, amended and/or restated from time to time; (b) the Trust Indenture dated on or about June 28, 2019 between the Bank and the Trustee, as supplemented, amended and/or restated from time to time; (c) Registry and Paying Agency Agreement dated on or about June 28, 2019 between the Bank and the Registrar and Paying Agent, as supplemented, amended and/or restated from time to time; (e) the Master Certificate of Indebtedness; (e) these General Terms and Conditions; and (f) the Pricing Supplement for each Series or Tranche of Bonds; and (g) such other separate letters or agreements covering conditions precedent, fees, expenses and other obligations of the parties, including amendments or accessions thereto;
“Electronic Securities Issue Portal”	means the e-Securities Issue Portal (e-SIP) established and maintained by the Philippine Dealing System Holdings Corp. e-SIP will serve as an electronic channel for submission of documents for listing, enrollment, and registration of bondholders, available to identified stakeholders such as issuers, underwriters or arrangers, selling agents and client investor applicants;
“General Terms and Conditions”	means these General Terms and Conditions of the Bonds as may be supplemented and/or amended from time to time by the applicable Pricing Supplement for each Series or Tranche of Bonds.
“Governing Regulations”	means all the necessary rules and guidelines for the issuance of the Bonds, including, General Banking Law of 2000 (Republic Act No. 8791), the Manual of Regulations for Banks, BSP Circular No. 975 (Series of 2017), BSP Circular No. 1010 (Series of 2018), BSP Circular No. 1062 (Series of 2019), and any other circulars and regulations as may be relevant for the transaction, as these may be amended from time to time;
“Group”	means the Bank, its subsidiaries, affiliates and entities controlled by the Bank, taken as a whole, and each of them being a member of the Group;
“Issue Date”	means in respect of any Series or Tranche of Bonds, the date of issue and purchase of such Tranche of Bonds, as indicated in the applicable Pricing Supplement;
“Majority Bondholders”	means the holder or holders of more than fifty percent (50%) of the principal amount the Bonds then outstanding at the relevant time under the Programme, provided, that in respect of any matter pertaining to matters relating to the relevant Series or Tranche of Bonds, only the concerned Bondholders of a particular Series or Tranche will be considered for quorum and approval purposes in any meeting in which any such matter is presented for resolution;
“Offer”	means, in respect of any issue of any Series or Tranche of Bonds, any offer or issuance of Bonds (or a Series or Tranche thereof) at the Issue Price.
“Offering Circular”	means the Offering Circular prepared in connection with the Programme, as revised, supplemented and/or amended from time to time by the Bank in accordance with the Programme Agreement, including any documents which are from time to time incorporated in the Offering Circular by reference, provided that: (a) in relation to each Series or Tranche of Bonds only, the applicable Pricing Supplement shall be deemed included in the Offering Circular; (b) in respect of the Agreement Date and the Issue Date, the Offering Circular means the Offering Circular as at the Agreement Date, but without prejudice to (a) above, not including any subsequent revisions, supplement or amendment to it or incorporation of information in it subsequent to the relevant Agreement Date.
“PDEX”	means the Philippine Dealing & Exchange Corp., a domestic corporation duly registered with the SEC to operate an exchange and trading market for fixed income securities and a member of the PDS Group;
“PDEX Rules”	means the PDEX Rules for the Fixed Income Securities Market, as amended, and as the same may be revised from time to time, as well as other related rules, guidelines, and procedures that may be issued by PDEX;
“Pricing Supplement”	means the pricing supplement issued in relation to each Series or Tranche of Bonds, giving details of that Series or Tranche and providing the additional terms and conditions, such as the Tranche Amount, Interest Rate, Interest Payment Dates, Tenor

	and Maturity Date and such other similar series-specific terms, in relation to any particular Series Tranche of Bonds;
“Programme”	means, as of the date of the Programme Agreement, the ₱40.0 Billion bond Programme approved by the Bank’s Board of Directors on March 12, 2019;
“Prohibited Bondholders”	means the following: (e) persons and entities which are prohibited from purchasing holding any Bonds of the Bank pursuant to BSP Circular No. 1010 series of 2018 as amended by BSP Circular No. 1062 series of 2019 and clarified by BSP Memorandum No. M-2020-01 dated January 2020, specifically: (1) the Bank; and (2) the Bank’s related parties (except for the Bank’s trust department or its related trust entities) who are in possession or have access to material and non-public information affecting the pricing and marketability of the Bonds or that which substantially impacts an investor’s decision to buy or sell the Bonds once the same are disseminated to the public; and (3) such other persons or entities as may be identified by the Bank, whether or not in possession or has access to material and non-public information affecting the pricing and marketability of the Bonds or that which substantially impacts an investor’s decision to buy or sell the Bonds once the same are disseminated to the public; or (f) 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 (g) 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, which include: (1) a U.S. citizen (including dual citizen who may have another citizenship besides having a U.S citizenship); (2) a U.S. resident alien for U.S. 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); (3) a US partnership; a U.S. corporation; (4) any U.S. estate; (5) any 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 (6) any other person that is not a non-US person; or (h) persons classified as a Restricted Party.
“PSE”	means the Philippine Stock Exchange, Inc.;
“Registrar” or “Paying Agent”	means Philippine Depository & Trust Corp. (“PDTC”), or the registrar and paying agent in respect of the Bonds appointed under the Registry and Paying Agency Agreement or an agreement supplemental to it and in accordance with the BSP Rules;
“Registry”	means 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 or assignments thereof or any liens or encumbrances thereon;
“Restricted Party”	means a person that is: (i) listed on, or owned or controlled by a person listed on, or acting on behalf of a person listed on, any Sanctions List; (ii) located in, organized or resident in, incorporated under the laws of, or owned or (directly or indirectly) controlled by, or acting on behalf of, a person located in or organized under the laws of a country or territory that is the target of country-wide or territory-wide Sanctions, including, without limitation, the Crimea Region, Cuba, Iran, North Korea, Sudan and Syria; or (iii) otherwise a target of Sanctions (target of Sanctions signifying a person with whom a US person or other national of a Sanctions Authority would be prohibited or restricted by law from engaging in trade, business or other activities);
“SEC”	means the Philippine Securities and Exchange Commission and its successor agency/ies;
“Security Interest”	shall have the meaning ascribed to it in Condition 11;

“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;

“Tranche”

means an issuance of Bonds pursuant to the Programme under these General Terms and Conditions and those specified under the Trust Indenture and the Programme Agreement, except for their respective Tranche Amounts, Issue Dates, Interest Rates and Maturity Dates, and such other terms and conditions as may be specifically provided in the Pricing Supplement to be issued for such particular issuance.

2. Form, Denomination and Title

(a) Form and Denomination

The Bonds, upon issuance, are in scripless form, and shall be issued and traded in the secondary market in such denominations to be indicated in the applicable Pricing Supplement.

(b) Title

Legal title to the Bonds shall be shown in the Registry maintained by the Registrar. A notice confirming the principal amount of the Bonds purchased by each applicant in the Offer shall be issued by the Registrar to all Bondholders following the Issue Date. Upon any assignment, title to the Bonds shall pass by recording of the transfer from the transferor to the transferee in the Registry maintained by the Registrar. Settlement with respect to such transfer or change of title to the Bonds, including the settlement of any cost arising from such transfers, including, but not limited to, documentary stamps taxes, if any, arising from subsequent transfers, shall be for the account of the relevant Bondholder.

(c) Rating

The Bonds are not rated. However, the Bank has a “PRS Aaa (Corp.) with a Stable Outlook” issuer rating from PhilRatings as of July 1, 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 organization.

The rating is subject to regular annual reviews, or more frequently as market developments may dictate, for as long as the Bonds are outstanding. After Issue Date, the Trustee shall likewise monitor compliance by the Bank with certain covenants in relation to the Bonds through regular annual reviews.

3. Transfer of Bonds

(a) Registry

The Bank shall cause the Registry of Bondholders to be kept by the Registrar, in electronic form. The names and addresses of the Bondholders and the particulars of the Bonds held by them and all transfers of Bonds shall be entered in the Registry. As required by Circular No. 428-04 issued by the BSP, the Registrar shall send each Bondholder a statement in electronic form of its registry holdings at least quarterly, and a written advice in electronic form confirming every receipt or transfer of the Bonds that is effected in the Registrar’s system. Such statement of registry holdings shall serve as the confirmation of ownership of the relevant Bondholder as of the date thereof. If an e-mail address is not indicated in the Application or if a Bondholder requests for a written statement, the cost of the same shall be borne by the Bondholder. Any and/or all requests of Bondholders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting Bondholder. No transfer of Bonds may be made during the period commencing on a Record Date as defined in the section on “Interest Payment Date.”

(b) Transfers; Tax Status

Bondholders may transfer their Bonds at any time, regardless of tax status of the transferor vis-à-vis the transferee. Should a transfer between Bondholders of different tax status occur on a day which is not an Interest Payment Date, tax-exempt entities trading with non-tax-exempt entities shall be treated as non-tax-exempt entities for the interest period within which such transfer occurred. Transfers taking place in the Registry after the Bonds are listed on PDEX shall be allowed between non-tax-exempt and tax-exempt entities without restriction and observing the tax exemption of tax-exempt entities, if and/or when so allowed under and in accordance with the relevant rules, conventions and guidelines of PDEX and PDTC. A Bondholder claiming tax-exempt status is required to submit a

written notification of the sale or purchase to the Trustee and the Registrar, including the tax status of the transferor or transferee, as appropriate, together with the supporting documents specified below under “*Payment of Additional Amounts; Taxation*”, within three days of such transfer.

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

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

(c) *Secondary Trading of the Bonds*

The Bank shall list the Bonds in PDEX for secondary market trading. Secondary market trading and settlement in PDEX shall follow the applicable PDEX rules, conventions and guidelines, including rules, conventions and guidelines governing trading and settlement between Bondholders of different tax status, and shall be subject to the relevant fees of PDEX and PDTC.

4. Ranking

The Bonds constitute direct, unconditional, unsecured and unsubordinated Philippine Peso-denominated obligations of the Bank and shall rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Bank, other than obligations preferred by the law.

5. Interest

(a) *Interest Basis*

Interest on each Series or Tranche of Bonds may be fixed and/or floating, as may be provided under the applicable Pricing Supplement.

The rate of interest payable from time to time in respect of floating rate Bonds shall be determined in the manner specified in the applicable Pricing Supplement.

(b) *Interest Payment Dates*

The Bonds bear interest on its principal amount from and including Issue Date at the rate indicated in the applicable Pricing Supplement for each Series or Tranche of Bonds. Interest shall be payable in arrear, at the dates specified in the applicable Pricing Supplement, or the subsequent Business Day without adjustment to the amount of interest to be paid, if such Interest Payment Date is not a Business Day.

The cut-off date in determining the existing Bondholders entitled to receive the interest or principal amount due shall be the second (2nd) Business Day immediately preceding the relevant Interest Payment Date (the “Record Date”), which shall be the reckoning day in determining the Bondholders entitled to receive interest, principal or any other amount due under the Bonds. No transfers of the Bonds may be made during this period intervening between and commencing on the Record Date and the relevant Interest Payment Date.

(c) *Interest Accrual*

Each Bond with respect to each Pricing Supplement shall cease to bear interest from and including the Maturity Date, as defined in the discussion on “*Final Redemption*” below, unless, upon due presentation, payment of the principal in respect of the Bond then outstanding is not made, is improperly withheld or refused, in which case the Penalty Interest (see “*Penalty Interest*” below) shall apply.

(d) *Determination of Interest Amount*

The interest rate shall be calculated on the basis of a 30/360-day basis, consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

6. Redemption and Purchase

(a) *Final Redemption*

Unless previously purchased and cancelled, the Bonds shall be redeemed at par, or 100% of face value on the relevant

Maturity Date specified in the applicable Pricing Supplement. However, if the Maturity Date is not a Business Day, payment of all amounts due on such date will be made by the Bank through the Paying Agent, without adjustment in computation as to the amount of interest payable, on the succeeding Business Day.

(b) Redemption for Tax Reasons

If payments under the Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on the Issue Date as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Bank, the Bank may redeem the Bonds in whole, but not in part, on any Interest Payment Date (having given not more than 60 nor less than 30 days' notice to the Trustee and the Registrar) at par or 100% of face value plus accrued interest computed up to the date when the Bonds shall be redeemed earlier than its Maturity Date.

(c) Change in Law or Circumstance

If any provision of the Trust Indenture or any of the related documents 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 Indenture 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 hereto of their obligations under the Trust Indenture 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 Indenture and the Bonds.

In the event that the Bank shall invoke the foregoing as a Change in Law, the Bank shall provide the Trustee an opinion of legal counsel confirming the foregoing, such legal counsel being reasonably acceptable to the Trustee. Thereupon, the Trustee, upon notice to the Bank, shall declare the principal amount of the Bonds, including all accrued interest and other charges thereon, if any, to be immediately due and payable, and upon such declaration, the same shall be immediately due and payable without any pre-payment penalty, notwithstanding anything in the Trust Indenture and other related documents to the contrary.

(d) 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.

7. Payments

The principal of, interest on, and all other amounts payable on the Bonds shall be paid by the Bank through the Paying Agent to the Bondholders by crediting the settlement accounts designated by each of the Bondholders. The principal of, and interest on, the Bonds shall be payable in Philippine Pesos. The Bank shall ensure that so long as any of the Bonds remains outstanding, there shall at all times be a Paying Agent for the purposes of the Bonds. In the event the Paying Agent shall be unable or unwilling to continue to act as such, the Bank shall appoint a qualified financial institution in the Philippines authorized to act in its place. The Paying Agent may not resign its duties or be removed without a successor having been appointed.

8. Payment of Additional Amounts - Taxation

As of the date of the Offering Circular, interest income on the Bonds is subject to a final withholding tax ("FWT") at rates ranging from 20% to 25% depending on the tax status of the relevant Bondholder under relevant law, regulation or tax treaty. In general, interest income derived by Philippine citizens and alien resident individuals from the Bonds is subject to a final tax at the rate of twenty percent (20%) based on the gross amount of interest. Interest on the Bonds received by nonresident aliens engaged in trade or business in the Philippines is subject to a twenty percent (20%) FWT while that received by non-resident aliens not engaged in trade or business is subject to an FWT rate of twenty five percent (25%). Interest income derived by domestic and resident foreign corporations on the Bonds is subject to FWT the rate of twenty percent (20%).

Except for such FWT and as otherwise provided, all payments of principal and interest are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of Republic of the Philippines, including, but not limited to, issue, registration or any similar tax or other taxes and duties, including interest and penalties, if any. If such taxes or duties are imposed, the same shall be for the account of the Bank; provided however that, the Bank shall not be liable for the following:

- (a) Income tax on any gain by a Bondholder realized from the sale, exchange or retirement of the Bonds;
- (b) The applicable FWT on interest earned on the Bonds prescribed under the National Internal Revenue Code of 1997, as amended and its implementing rules and regulations as maybe in effect from time to time (the "**Tax Code**").

For the avoidance of doubt, any change in the applicable FWT rate shall be for the account of the Bondholder.

An investor who is exempt from the aforesaid withholding tax, or is subject to a preferential withholding tax rate shall be required to submit the following requirements to the Registrar, subject to acceptance by the Bank as being sufficient in form and substance: (i) certified true copy of the tax exemption certificate, ruling or opinion issued by the BIR confirming the exemption or preferential rate; (ii) a duly notarized undertaking, in the prescribed form, declaring and warranting its tax exempt status or preferential rate entitlement, undertaking to immediately notify the Bank of any suspension or revocation of the tax exemption certificates or preferential rate entitlement, and agreeing to indemnify and hold the Bank and the Registrar free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding of the required tax; and (iii) such other documentary requirements as may be required under the applicable regulations of the relevant taxing or other authorities which for purposes of claiming tax treaty withholding rate benefits, which shall include evidence of the applicability of a tax treaty and consularized or apostilled (as the case may be) proof of the Bondholder's legal domicile in the relevant treaty state, and confirmation acceptable to the Bank that the Bondholder is not doing business in the Philippines; provided further that, all sums payable by the Bank 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;

- (c) Gross Receipts Tax under Section 121 of the Tax Code;
- (d) Taxes on the overall income of any securities dealer or Bondholder, whether or not subject to withholding; and
- (e) Value Added Tax ("VAT") under Sections 106 to 108 of the Tax Code, and as amended by Republic Act No. 9337, Republic Act No. 10963, and Republic Act No. 11534

Documentary stamp tax for the primary issue of the Bonds and the execution of the Trust Indenture and other related documents, if any, shall be for the Bank's account.

9. Representation and Warranties

The Bank hereby represents and warrants to the Trustee and the Bondholders as follows:

- (a) each member of the Group 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 and is lawfully qualified to do business in those jurisdictions in which business is conducted by it;
- (b) except as otherwise disclosed in the Offering Circular, each of the members of the Group has legal title to all its property in each case free and clear of all liens, encumbrances and defects; and any real property and buildings held under lease by the Group are held by them under valid, subsisting and enforceable leases, except where such a failure would not result in an Adverse Effect;
- (c) the Bank has the corporate power under the laws of the Republic of the Philippines and its constitutive documents: (i) to issue the Bonds and to enter into and perform its obligations thereunder and to take all other actions and to do all other things provided for or contemplated in the Contracts; (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; and (iii) to incur the indebtedness and other obligations provided for in the Bonds;
- (d) the Bank has and will continue to have full capacity and authority to enter into the Contracts, issue the Bonds and to carry out the transactions contemplated in the Contracts and has taken and will continue to take all action (including the obtaining of all necessary corporate approvals and governmental consents) to authorize the execution, delivery and performance of the Contracts and the issue and delivery of the Bonds;
- (e) the Contracts have been duly authorized, executed and delivered by the Bank and constitute valid and legally binding obligations of the Bank;
- (f) the Bonds have been duly authorized by the Bank and, when duly executed, authenticated, issued and delivered in accordance with the Trust Indenture and the Registry and Paying Agency Agreement, will constitute valid and legally binding obligations of the Bank, enforceable in accordance with its terms;
- (g) the Bonds constitute the direct, unconditional, unsecured and unsubordinated Philippine Peso-denominated obligations of the Bank, and, when duly executed, authenticated, issued and delivered in accordance with the Trust Indenture and the Registry and Paying Agency Agreement, enforceable in accordance with its terms, and will at all times rank *pari passu* and ratably without any preference among themselves and at least *pari passu* with all other direct, unconditional, unsecured and unsubordinated Philippine Peso-denominated obligations of the Bank, present and future, other than obligations mandatorily preferred by law;

-
- (h) 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 Bonds, the validity, performance or enforceability of the Bonds or the Contracts, the carrying out of the other transactions contemplated by the Bonds and the Contracts or the compliance by the Bank with the terms of the Bonds and the and the Contracts, as the case may be, have been taken, fulfilled or done;
 - (i) the Bank has complied with all requirements of the BSP for the issuance of the Bonds, and the Bonds comply with all other terms and conditions imposed by the BSP regarding the issuance of the Bonds while any portion of the Bonds remain outstanding;
 - (j) the Bank has complied with all qualifications and conditions of the BSP Rules to issue, maintain, service, pay out, redeem, and cancel the Bonds;
 - (k) the execution and delivery of the Contracts, the issue of the Bonds, the carrying out of the other transactions contemplated by the Contracts and compliance with the terms of the Contracts and the Bonds, as the case may be, do not and will not: (i) conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, the documents constituting the Bank, or any indenture, trust deed, mortgage or other agreement or instrument to which the Bank or any of the Bank's subsidiaries is a party or by which it or any of its properties is bound; or (ii) infringe any existing applicable law, rule, regulation, judgment, order or decree of any government, governmental body or court, domestic or foreign, having jurisdiction over the Bank, any such subsidiary or any of their properties;
 - (l) the (i) Offering Circular, including any amendments or supplements thereto, and the relevant Pricing Supplement and other materials used in the Offer: contain all information with respect to the Group and to the Bonds which is material in the context of the issue and offering of the Bonds (including, without limitation, all information required by the applicable laws and regulations of the Philippines and the information which, according to the particular nature of the Bank and of the Bonds, is necessary to enable potential Bondholders and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Bank and of the rights attaching to the Bonds); (ii) the statements contained in the Offering Circular and the relevant Pricing Supplement relating to the Bank and the Group are in every material respect true, accurate and not misleading; (iii) the opinions and intentions expressed in the Offering Circular with regard to the Bank and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the Group or the Bonds the omission of which would, in the context of the issue and offering of the Bonds, make any statement in the Offering Circular misleading in any material respect; and (v) all reasonable inquiries have been made by the Bank to ascertain such facts and to verify the accuracy of all such information and statements;
 - (m) the Offering Circular accurately describes: (i) accounting policies which the Bank believes to be the most important in the portrayal of the Group's 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 Bank have reviewed and agreed with the selection and disclosure of the Critical Accounting Policies in the Offering Circular and have consulted with their independent accountants with regards to such disclosure;
 - (n) each member of the Group 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 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) each member of the Group 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 Bank's consolidated financial statements in accordance with financial reporting standards in the Philippines for banks; and the Bank's current management information and accounting control system has been in operation for at least twelve (12) months during which none of the Bank nor any other member of the Group has experienced any material difficulties with regard to (i) through (v) above;
 - (o) there are no outstanding guarantees or contingent payment obligations of the Bank in respect of indebtedness of third parties except as described in the Offering Circular; the Bank is in compliance with all of its obligations under any outstanding guarantees or contingent payment obligations as described in the Offering Circular;

-
- (p) the Offering Circular accurately and fully describes: (i) all material trends, demands, commitments, events, uncertainties and risks, and the potential effects thereof, that the Bank 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 Bank nor any other member of the Group 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 Bank or any other member of the Group, such as structured finance entities and special purpose entities that are reasonably likely to have a material effect on the liquidity of the Bank or any other member of the Group or the availability thereof or the requirements of the Bank or any other member of the Group for capital resources;
- (q) all information provided by the Bank to its 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 enquiry; 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) the Auditors are independent public accountants with respect to the Group, as required by the Philippine Institute of Certified Public Accountants and the applicable rules and regulations thereof;
- (s) save as disclosed in the Offering Circular, all transactions by the Bank with its directors, officers, management, shareholders, or any other person, including persons formerly holding such positions, are on terms that are available from other parties on an arm's-length basis;
- (t) each of the Bank and the other members of the Group: (i) has all licenses, franchises, permits, authorizations, approvals, registrations and orders and other concessions that are necessary to own or lease its other properties and conduct its businesses as described in the Offering Circular; (ii) is conducting its business and operations in compliance with all 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 PSE and the BIR; (iii) 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 Bank; and (iv) 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 qualify as, or result in, an Adverse Effect;
- (u) except as specifically described in the Offering Circular, the Bank and the other members of the Group own or possess (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; and neither the Bank nor any other member of the Group has received 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 the interests of the Bank or other members of the Group 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 an Adverse Effect;
- (v) except as specifically described in the Offering Circular, there are no pending actions, suits or proceedings against or affecting the Bank or any other member of the Group or any of their properties which, if determined adversely would individually or in the aggregate have an Adverse Effect, and, to the best of the Bank's knowledge, no such actions, suits or proceedings are threatened or contemplated;
- (w) no event has occurred or circumstance arisen which (whether or not with the giving of notice and/or the passage of time and/or the fulfillment of any other requirement) constitutes an event described under "Events of Default" hereunder;
- (x) the Bank and the other members of the Group are in compliance with the Anti-Money Laundering Laws of the Philippines in all material respects. The financial transactions and operations of the Bank and its subsidiaries are and have been conducted at all times in compliance with applicable financial record keeping and reporting requirements and anti-money laundering laws, rules, regulations or guidelines applicable to the Bank and its subsidiaries (collectively, the "**Anti-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 Bank or any of its subsidiaries with respect to the Anti-Money Laundering Laws is pending or, to the best knowledge of the Bank and each of its subsidiaries, after due inquiry, threatened; and

-
- (y) the Bank 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 the assets of the Bank is not less than the total amount required to pay the liabilities of the Bank on its total existing debts and liabilities (including contingent liabilities) as they become absolute and matured; (ii) the Bank 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) the Bank is not incurring debts or liabilities beyond its ability to pay as such debts and liabilities mature; (iv) the Bank is not 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 the Bank is engaged; (v) the Bank will be able to meet its obligations under all its outstanding indebtedness as they fall due; and (vi) the Bank is not a defendant in any civil action that would result in a judgment that the Bank is or would become unable to satisfy.

Each of the representations and warranties set forth hereof are made as of the date the Contracts, the Offering Circular and each Pricing Supplement, and will be true and accurate for as long as the Bonds or any portion thereof remains outstanding, and so long as any Bonds remains unissued under the Programme, with reference to the facts and circumstances existing from time to time.

10. Covenants

The Bank covenants that it shall act as follows and shall perform the following obligations for so long as any Bonds remain outstanding:

- (a) The Bank shall pay all amounts due under the Bonds at the times and in the manner specified in, and perform all its obligations, undertakings, and covenants under the Bonds;
- (b) The Bank shall ensure that it will continue to have the legal and juridical personality to maintain the Bonds until Maturity Date or full payment of the claims under the Bonds, whichever is later, and accordingly, shall secure all necessary corporate and government approvals, and perform all necessary acts, for the renewal and extension of its corporate term, on or prior to the expiry thereof;
- (c) It shall, as soon as practicable, make available copies of its audited financial statements, consisting of the balance sheet of the Bank as of the end of its latest fiscal year and statements of income and retained earnings and of the source and application of funds of the Bank for such fiscal year, such audited financial statements being prepared in accordance with 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; and shall, as soon as practicable, upon written request from a Bondholder, furnish to 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 Bank's ability to duly perform and observe its obligations and duties under the Bonds and the Contracts;
- (d) It shall, when so requested in writing, provide any and all information reasonably needed by the Paying Agent and/or Registrar, as the case may be, to enable them to respectively comply with their respective responsibilities and duties under the BSP Rules, and the 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 the same and shall perform such acts as may be necessary to provide for alternative information gathering;
- (e) The Bank 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;
- (f) The Bank shall ensure that any documents related to the Bonds will, at all times, comply in all material respects with the 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;
- (g) The Bank shall upon written request of the Trustee execute and deliver to the Trustee such reports, documents, and other information relating to the business, properties, condition, or operations, financial or otherwise, of the Bank and affecting the Bank's ability to duly perform and observe its obligations and duties under the Bonds and the Contracts; provided that if the updates and information requested are not public documents, such Bondholder must execute a non-disclosure agreement and an undertaking that it shall not benefit from the disclosure of such non-public updates and information;

-
- (h) The Bank shall, as soon as possible and in any event within five (5) Business 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 the material agreements 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;
 - (i) It will duly and punctually comply with all reporting, filing and similar requirements imposed by the BSP, the SEC and the PSE or in accordance with any applicable Philippine law and regulations from time to time relating to the Bonds and the Contracts;
 - (j) The Bank shall maintain the services of the Auditors and in any event where the then existing Auditors shall cease to be the external auditor of the Bank for any reason, the Bank shall appoint another reputable, responsible and internationally accredited firm of auditors to be the external auditor of the Bank;
 - (k) It shall fully and promptly comply with all BSP directives, orders, issuances, 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;
 - (l) It shall use the net proceeds from the Bonds in accordance with the purpose of issuance provided in the Offering Circular; and
 - (m) It shall ensure that there shall at all times be a Trustee and a Registrar and Paying Agent for the purposes of the Bonds, as provided in the Trust Indenture and Registry and Paying Agency Agreement, respectively.

11. Negative Pledge

The Bank covenants and agrees that, from the signing date of the Trust Indenture and for as long as the Bonds or any portion thereof remain outstanding, unless the Majority Bondholders shall otherwise consent in writing:

- (a) the Bank 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 undertaking, assets or revenues (present or future) to secure any Indebtedness, or any guarantee of or indemnity in respect of any Indebtedness;
- (b) the Bank will procure that no other person creates or permits to subsist any Security Interest upon the whole or any part of the undertaking, assets or revenues present or future of that other person to secure (x) any of the Bank's Indebtedness, or any guarantee of or indemnity in respect of any of the Bank's Indebtedness, or (y) where the person in question is a Subsidiary of the Bank, 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 Bank'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 shall be approved by the Majority Bondholders; and
- (c) the Bank will not create or permit to subsist any preference or priority in respect of any other Indebtedness of the Bank 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.

For the purposes hereof, **Indebtedness** means any present or future indebtedness in the form of, or represented by, bonds, notes, debentures, loan stock or other securities having an original maturity of more than one year from its date of issue and which are for the time being quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market, provided that in the case of (c) above, Indebtedness shall exclude (x) Indebtedness denominated, payable or optionally payable in US Dollars, and (y) if denominated, payable or optionally payable in Philippine Pesos, Indebtedness in an aggregate principal amount not exceeding 5% of the consolidated as shown in the latest audited balance sheet of the Bank.

12. Events of Default

The Bank shall be considered in default under the Bonds and the Trust Indenture in case any of the following events (each an "**Event of Default**") shall occur and is continuing:

- (a) The Bank fails to pay any principal and/or interest due on the Bonds issued under the Programme, 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;

-
- (b) Any representation and warranty of the Bank or any certificate or opinion submitted by the Bank in connection with the issuance of the Bonds is untrue, incorrect, or misleading in any material respect;
 - (c) The Bank fails to perform or violates its covenants under these General Terms and Conditions (other than the payment obligation under paragraph (a) above) or the Contracts, and such failure or violation is not remediable or, if remediable, continues to be unremedied for a period of fifteen (15) calendar days from notice to the Bank;
 - (d) The Bank violates any term or condition of any contract, bond, note, debenture, or similar security executed by the Bank with any other bank, financial institution, or other person, corporation, or entity in respect of borrowed moneys in an aggregate amount exceeding Five Hundred Million Pesos (₱500,000,000.00) or its equivalent or, in general, the Bank violates any contract, law, or regulation which: (i) if remediable, is not remedied by the Bank within ten (10) calendar days from such failure; (ii) results in the acceleration or declaration of the whole financial obligation to be due and payable prior to the stated normal date of maturity; or (iii) will adversely and materially affect the performance by the Bank of its obligations under the Bonds and pay any amount outstanding on the Bonds;
 - (e) 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;
 - (f) It becomes unlawful for the Bank to perform any of its material obligations under the Bonds;
 - (g) 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, nationalizes or expropriates (with or without compensation) the Bank or any material portion of its properties or assets;
 - (h) The Bank becomes insolvent or is unable to pay its debts when due or commits or permits any act of bankruptcy, including: (i) filing of a petition in any bankruptcy, reorganization, winding-up, suspension of payment, liquidation, or other analogous proceeding; (ii) appointment of a trustee or receiver of all or a substantial portion of its properties; (iii) making of an assignment for the benefit of its creditors of all or substantially all of its properties; (iv) admission in writing of its inability to pay its debts; or (v) entry of any order or judgment of any court, tribunal, or administrative agency or body confirming the insolvency of the Bank, or approving any reorganization, winding-up, liquidation, or appointment of trustee or receiver of the Bank or a substantial portion of its property or assets (each, an **"Insolvency Default"**);
 - (i) Any final and executory judgment, decree, or arbitral award for the sum of money, damages, fine, or penalty in excess of Five Hundred Million Pesos (₱500,000,000.00) or its equivalent in any other currency is entered against the Bank and the enforcement of which is not stayed, and is not paid, discharged, or duly bonded within thirty (30) calendar days after the date when payment of such judgment, decree, or award is due under the applicable law or agreement;
 - (j) Any 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 writ, warrant, execution or similar process shall not be released, vacated, or fully bonded within thirty (30) calendar days after its issue or levy; and
 - (k) The Bank voluntarily suspends or ceases operations of a substantial portion of its business for a continuous period of thirty (30) calendar days, except in the case of strikes or lockouts when necessary to prevent business losses, or when due to fortuitous events or *force majeure*, and, provided that, in any such event, there is no Adverse Effect.

13. Notice of Default

Subject to the terms of the Trust Indenture, the Trustee shall, within ten (10) Business Days after receiving notice, or having knowledge of, 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 under Section 10 above, the Trustee shall immediately notify the Bondholders upon the occurrence of such payment default. The 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, further indicating in the published notice that the Bondholders or their duly authorized representatives may obtain any information relating to such occurrence of an Event of Default at the principal office of the Trustee upon presentation of sufficient and acceptable identification.

14. Consequences of Default

If any one or more of the Events of Default shall have occurred and be continuing without the same being cured within the periods provided in the Trust Indenture and in these General Terms and Conditions, the Trustee may on its own, or, upon the written direction of the Majority Bondholders, shall, by notice in writing delivered to the Bank, with a copy furnished the Registrar and Paying Agent, declare the principal amount of the Bonds, including all accrued interest and other charges thereon, if any, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable.

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

15. Penalty Interest

In case any amount payable by the Bank under the Bonds, whether for principal, interest, fees due to Trustee or Registrar or otherwise, is not paid on due date, the Bank shall, without prejudice to its obligations to pay the said principal, interest and other amounts, pay penalty interest on the defaulted amount(s) at the rate of 1% per month (the “**Penalty Interest**”) from the time the amount falls due until it is fully paid.

16. Payment in the Event of Default

The Bank covenants that upon the occurrence of any Event of Default, the Bank shall pay to the Bondholders, through the Paying Agent, the whole amount which shall then have become due and payable on all such outstanding Bonds with interest at the rate borne by the Bonds on the overdue principal and with Penalty Interest as described above, and in addition thereto, the Bank shall pay to the Trustee such further amounts as shall be determined by the Trustee to be sufficient to cover the cost and expenses of collection, including reasonable compensation to the Trustee, its agents, attorneys and counsel, and any reasonable expenses or liabilities incurred without negligence or bad faith by the Trustee.

17. Application of Payments

Any money collected or delivered to the Paying Agent, and any other funds held by it, subject to any other provision of the Trust Indenture and the Registry and Paying Agency Agreement relating to the disposition of such money and funds, shall be applied by the Paying Agent in the order of preference as follows: *first*, to the payment to the Trustee, the Paying Agent and the Registrar, of the costs, expenses, fees and other charges of collection, including reasonable compensation to them, their agents, attorneys and counsel, and all reasonable expenses and liabilities incurred or disbursements made by them, without gross negligence or bad faith; *second*, to the payment of the interest in default, in the order of the maturity of such interest with Penalty Interest; *third*, to the payment of the whole amount then due and unpaid upon the Bonds for principal, and interest, with Penalty Interest; 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.

18. Prescription

Claims with respect to principal and interest or other sums payable hereunder shall prescribe unless made within ten (10) years (in the case of principal or other sums) or five (5) years (in the case of interest) from the date on which payment becomes due.

19. Remedies

All remedies conferred by the Trust Indenture to the Trustee and the Bondholders shall be cumulative and not exclusive and shall not be so construed as to deprive the Trustee or the Bondholders of any legal remedy by judicial or extra judicial proceedings appropriate to enforce the conditions and covenants of the Trust Indenture, subject to the discussion below on “*Ability to File Suit*”.

No delay or omission by the Trustee or the Bondholders to exercise any right or power arising from or on account of any default hereunder shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence thereto; and every power and remedy given by the Trust Indenture to the Trustee or the Bondholders may be exercised from time to time and as often as may be necessary or expedient.

20. Ability to File Suit

No Bondholder shall have any right by virtue of or by availing of any provision of the Trust Indenture 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, as applicable; (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 whatever by virtue of or by availing of any provision of the Trust Indenture 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 Indenture, except in the manner herein provided and for the equal, ratable and common benefit of all the Bondholders.

21. Waiver of Default by the Bondholders

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 the Majority Bondholders may decide for and on behalf of the Bondholders to waive any past default, except the events of default specified in Sections 10 (a), (d) and (h) above. 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.

22. Trustee; Notices

(a) *Notice to the Trustee*

All documents required to be submitted to the Trustee pursuant to the Trust Indenture and the Offering Circular and all correspondence addressed to the Trustee shall be delivered to:

To the Trustee:	Development Bank of the Philippines – Trust Banking Group
Attention:	[Maria Felicia S. Magtibay Senior Assistant Vice President Head, Trust Marketing Department]
Subject:	Philippine Savings Bank- ₱40 Billion Bond Programme
Address:	Development Bank of the Philippines Sen. Gil J. Puyat Avenue corner Makati Avenue, Makati City Philippines
Facsimile:	(632) 8818-9511

All documents and correspondence not sent to the above-mentioned address shall be considered as not to have been sent at all.

(b) *Notice to the Bondholders*

The Trustee shall send all notices to Bondholders to their mailing address as set forth in the Registry. Except where a specific mode of notification is provided for herein, notices to Bondholders shall be sufficient when made in writing and transmitted in any one of the following modes: (i) electronic mail, (ii) registered mail, (iii) surface mail; (iv) by one-time publication in a newspaper of general circulation in the Philippines; or (v) personal delivery to the address of record in the Registry of Bondholders. The Trustee shall rely on the Registry in determining the Bondholders entitled to notice. All notices shall be deemed to have been received (i) on the date of transmission, if transmitted by electronic mail; (ii) ten (10) days from posting if transmitted by registered mail; (iii) fifteen (15) days from mailing, if transmitted by surface mail; (iv) on date of publication or (v) on date of delivery, for personal delivery.

(c) *Binding and Conclusive Nature*

Except as provided in the Trust Indenture, all notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained by the Trustee for the purposes of the provisions of the Trust Indenture, shall (in the absence of willful default, bad faith or manifest error) be binding on the Bank and all Bondholders. No liability to the Bank, the Paying Agent or the Bondholders shall attach to the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions under the Trust Indenture resulting from the Trustee's reliance on the foregoing.

23. Duties and Responsibilities of the Trustee

- (a) The Trustee is appointed as trustee for and on behalf of the Bondholders and accordingly shall perform such duties and shall have such responsibilities as provided in the Trust Indenture. The Trustee shall, in accordance with the terms and conditions of the Trust Indenture, monitor the compliance or non-compliance by the Bank with all its representations and warranties, and the observance by the Bank of all its covenants and performance of all its obligations, under and pursuant to the Trust Indenture. The Trustee shall observe due diligence in the performance of its duties and obligations under the Trust Indenture. For the avoidance of doubt, notwithstanding any actions that the Trustee may take, the Trustee shall remain to be the party responsible to the Bondholders, and to whom the Bondholders shall communicate with in respect to any matters that must be taken up with the Bank.
- (b) The Trustee shall, prior to the occurrence of an Event of Default or after the curing of all such defaults which may have occurred, perform only such duties as are specifically set forth in the Trust Indenture. In case of default, the Trustee shall exercise such rights and powers vested in it by the Trust Indenture, and use such judgment and care under the circumstances then prevailing that individuals of prudence, discretion and intelligence, and familiar with such matters, exercise in the management of their own affairs.
- (c) None of the provisions contained in the Trust Indenture or Offering Circular shall require or be interpreted to require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

24. Resignation and Change of Trustee

- (a) The Trustee may at any time resign by giving thirty (30) days' prior written notice to the Bank and to the Bondholders of such resignation.
- (b) Upon receiving such notice of resignation of the Bank, the Bank shall immediately appoint a successor trustee by written instrument in duplicate, executed by its authorized officers, one (1) copy of which instrument shall be delivered to the resigning Trustee and one (1) copy to the successor trustee. If no successor shall have been so appointed and have accepted appointment within thirty (30) days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor, or any Bondholder who has been a *bona fide* holder for at least six months (the "**Bona Fide Bondholder**") may, for and on behalf of the Bondholders, petition any such court for the appointment of a successor. Such court may thereupon after notice, if any, as it may deem proper, appoint a successor trustee.
- (c) A successor trustee should possess all the qualifications required under pertinent laws, otherwise, the incumbent trustee shall continue to act as such.
- (d) In case at any time the Trustee shall become incapable of acting, or has acquired conflicting interest, or shall be adjudged as bankrupt or insolvent, or a receiver for the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its properties or affairs for the purpose of rehabilitation, conservation or liquidation, then the Bank may within thirty (30) days therefrom remove the Trustee concerned, and appoint a successor trustee, by written instrument in duplicate, executed by its authorized officers, one (1) copy of which instrument shall be delivered to the Trustee so removed and one (1) copy to the successor trustee. If the Bank fails to remove the Trustee concerned and appoint a successor trustee, any *Bona Fide* Bondholder may petition any court of competent jurisdiction for the removal of the Trustee concerned and the appointment of a successor trustee. Such court may thereupon after such notice, if any, as it may deem proper, remove the Trustee and appoint a successor trustee.
- (e) The Majority 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 of the action in that regard taken by the Majority Bondholders.

-
- (f) Any resignation or removal of the Trustee and the appointment of a successor trustee pursuant to any of the provisions the Trust Indenture shall become effective upon the earlier of: (i) acceptance of appointment by the successor trustee as provided in the Trust Indenture; or (ii) the effectivity of the resignation notice sent by the Trustee under the Trust Indenture (a) (the "Resignation Effective Date") provided, however, that after the Resignation Effective Date and, as relevant, until such successor trustee is qualified and appointed (the "Holdover Period"), the resigning Trustee shall discharge duties and responsibilities solely as a custodian of records for turnover to the successor Trustee promptly upon the appointment thereof by the Bank.

25. Successor Trustee

- (a) Any successor trustee appointed shall execute, acknowledge and deliver to the Bank and to its predecessor Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the predecessor Trustee shall become effective and such successor trustee, without further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor in the trusteeship with like effect as if originally named as trustee in the Trust Indenture. The foregoing notwithstanding, on the written request of the Bank or of the successor trustee, the Trustee ceasing to act as such shall execute and deliver an instrument transferring to the successor trustee, all the rights, powers and duties of the Trustee so ceasing to act as such. Upon request of any such successor trustee, the Bank shall execute any and all instruments in writing as may be necessary to fully vest in and confer to such successor trustee all such rights, powers and duties.
- (b) Upon acceptance of the appointment by a successor trustee, the Bank shall notify the Bondholders in writing of the succession of such trustee to the trusteeship. If the Bank fails to notify the Bondholders within 10 days after the acceptance of appointment by the trustee, the latter shall cause the Bondholders to be notified at the expense of the Bank.

26. 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 until full payment of the Bonds through electronic mail a brief report dated as of December 31 of the immediately preceding year with respect to any action taken by the Trustee in the performance of its duties under the Trust Indenture which it has not previously reported and which in its opinion materially affects the Bonds and/or Majority Bondholders, 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 through electronic mail a brief report within 90 days from the making of any advance for the reimbursement of which it claims or may claim a lien or charge which is prior to that of the 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 Indenture;
 - (ii) Registry and Paying Agency Agreement; and
 - (iii) Articles of Incorporation and By-Laws of the Bank.

27. Meetings of the Bondholders

A meeting of the Bondholders in respect of a particular Series or Tranche may be called at any time for the purpose of taking any actions authorized to be taken by or on behalf of the Bondholders of any specified aggregate principal amount of Bonds under any other provisions of the Trust Indenture or under the law and such other matters related to the rights and interests of the Bondholders under the Bonds.

(a) Notice of Meetings

The Trustee may at any time call a meeting of the Bondholders, or the Bondholders 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. Each of such notices shall be published in a newspaper of general circulation as provided in the Trust Indenture. 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 or the Bondholders 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.

(c) *Quorum*

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

(d) *Procedure for Meetings*

- (i) 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.
- (ii) 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 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 (1) 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 vote for every Ten Thousand Pesos (₱10,000) interest. The only persons who shall be entitled to be present or to speak at any meeting of the Bondholders shall be the persons entitled to vote at such meeting and any representatives of the Bank and its legal counsel.

(f) *Voting Requirement*

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 Indenture (please refer to the preceding discussion on "Quorum").

Any resolution of the Bondholders which has been duly approved with the required number of votes of the Bondholders as provided in the Trust Indenture shall be binding upon all the Bondholders and the Bank as if the votes were unanimous; provided, that in respect of any matter pertaining to matters relating to the relevant Series or Tranche of Bonds, only the concerned Bondholders of a particular Series or Tranche will be considered for quorum and approval purposes in any meeting in which any such matter is presented for resolution;

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

Notwithstanding any other provisions of the Trust Indenture, 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 evidence of the right to vote and such other matters concerning the conduct of the meeting as it shall deem fit.

28. Amendments

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

The Bank and the Trustee may amend these General Terms and Conditions without notice to every Bondholder, but with the written consent of the Majority Bondholders (including consents obtained in connection with a tender offer or exchange offer for the Bonds). However, without the consent of each Bondholder affected thereby, an amendment may not:

-
- (a) reduce the percentage amount of Bonds that must consent to an amendment or waiver;
 - (b) reduce the rate of or extend the time for payment of interest on any Bond;
 - (c) reduce the principal of or extend the Maturity Date of any Bond;
 - (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 therefor 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 any Bond under these General Terms and Conditions or change the time at which any Bond may be redeemed;
 - (f) make any Bond payable in money other than that stated in the Bond;
 - (g) subordinate the Bonds to any other obligation of the Bank;
 - (h) release any security interest that may have been granted in favor of the Bondholders;
 - (i) amend or modify the Payment of Additional Amounts, Taxation, the Events of Default of these General Terms and Conditions or the Waiver of Default by the Bondholders; or
 - (j) make any change or waiver of this Condition.

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 in the manner provided in the section entitled "Notices".

29. Evidence Supporting the Action of the Bondholders

Wherever in the Trust Indenture it is provided that the Bondholders 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.

30. Non-Reliance

Each Bondholder also represents and warrants to the Trustee that it has independently and, without reliance on the Trustee, made its own credit investigation and appraisal of the financial condition and affairs of the Bank on the basis of such documents and information as it has deemed appropriate and that he has subscribed to the Bonds on the basis of such independent appraisal, and each Bondholder represents and warrants that it shall continue to make its own credit appraisal without reliance on the Trustee. The Bondholders agree to indemnify and hold the Trustee harmless from and against any and all liabilities, damages, penalties, judgments, suits, expenses and other costs of any kind or nature with respect to its obligations under the Trust Indenture, except for its gross negligence or wilful misconduct.

31. Governing Law

The Trust Indenture and other related documents are governed by and are construed in accordance with Philippine law.

32. Venue

Any suit, action, or proceeding against the Bank with respect to the Bonds or the Contracts or on any judgment entered by any court in respect thereof may be brought in any competent court in the City of Makati, and the parties submit to the exclusive jurisdiction of such courts for the purpose of any such suit, action, proceeding or judgment, the Bank and Bondholders expressly waiving other venue.

DESCRIPTION OF THE BANK

Introduction

Philippine Savings Bank (“**PSBank**”), the thrift banking arm of the Metrobank Group, offers a wide range of banking and other financial products and services, including deposits, loans, treasury, digital banking services, bancassurance, and trust. It caters mainly to the retail and consumer markets. The Bank is ranked first among the country's 41 thrift banks in terms of assets as of March 31, 2025 based on data from the Bangko Sentral ng Pilipinas (“**BSP**”). The Bank's total assets stood at ₱221.98 billion, ₱216.36 billion and ₱238.43 billion as of March 31, 2025, December 31, 2024 and December 31, 2023, respectively. Its total equity was at ₱45.13 billion, ₱44.11 billion and ₱40.15 billion as of March 31, 2025, December 31, 2024 and December 31, 2023, respectively.

As of March 31, 2025, the Bank has a network of 250 branches nationwide. The Bank also has 517 ATMs, which are part of the Bancnet consortium. This is broken down to 272 on-site and 245 off-site locations.

The Bank is listed on the Philippine Stock Exchange (“**PSE**”) under the stock code “PSB,” with a market capitalization ₱25.18 billion as of March 31, 2025.

As of March 31, 2025, the Bank's capital adequacy ratio and Tier 1 capital adequacy ratio were at 23.47% and 22.44%, respectively.

History

PSBank has gone a long way from its humble beginnings as a neighborhood bank since it first opened its doors to its clients on September 26, 1960. Its head office was located at Plaza Miranda, Quiapo, Manila, then the heart of the country's commercial and business district, while its first four branches were in Divisoria, Carriedo, Blumentritt and C. M. Recto.

In 1981, Metropolitan Bank and Trust Company, the country's largest bank, acquired majority shares of PSBank, thus making it a subsidiary and its consumer and retail banking arm. The Bank was authorized to perform trust functions in 1991 and, in 1994 became the first publicly listed thrift bank in the Philippines upon listing its shares on the Philippine Stock Exchange. A year later, it was issued a quasi-banking license, further strengthening its position in the financial sector. Since then, the Bank has grown into one of the country's leading thrift banks, known for its strong capital base, customer-centric approach, and innovative banking solutions.

PSBank has a number of consumer banking products and services available to its customers. Its deposit products and services include savings, checking, and time deposit accounts, denominated in Peso and U.S. Dollars. PSBank also offers online opening of savings accounts via its Account Onboarding Facility in the PSBank Mobile App. Existing clients may also open Peso time deposits via PSBank Mobile/Online. PSBank's consumer loan products include auto loans, flexi personal loans, and home loans. Home loans and auto loans account for the bulk of PSBank's loan portfolio. Aside from flexi personal loans, PSBank also offers multi-purpose personal loans to its corporate clients. Multi-purpose loans are available to employees of accredited partner companies as a ready-loan facility. Payments are made through direct deduction from the borrower's salary. PSBank also offers a variant of the personal loan referred to as “Vale – Payroll Cash Advance” offered exclusively to pre-qualified payroll companies of the Bank. “Vale” is a fee-based short-term cash advance which employees can avail of via the Bank's and PSBank's ATMs in between pay-periods. Similarly, payments are made through direct deduction from the borrower's salary. Other product offerings include trust services, bills payment collection, remittance services, Business Online Buddy (corporate internet banking), e-Credit, PSBank-AXA Bancassurance, PSBank Credit Mastercard, and business loans that include PSBank SME Business Credit Line, PSBank Credit Line, PSBank SME Term Loan with Prime Rebate, among others.

With a solid foundation, PSBank is well-positioned to sustain its growth and continue offering innovative financial services tailored to the evolving needs of its customers.

Other Awards received in the recent past are:

- Gold Stevie® Award for the innovative use of technology in the customer service category at the annual Asia-Pacific Stevie Awards for PSBank Live Chat, the first and only real-time chat service in the Philippine banking industry developed to address clients' inquiries and concerns.
- For providing exceptional end-to-end customer experience at the annual Customer Experience Awards in Singapore, 2nd Runner Up For The Best Customer Experience Award category and an Honorary Mention In The Best Customer Experience Team category.

-
- Mobile Banking Initiative of the Year at the Asian Banking & Finance Retail Banking Awards 2016 for PSBank Mobile Version 2.0, which featured the ATM lock, an additional layer of protection for clients against unauthorized use of their ATM card, arising from ATM loss, theft, skimming, and other forms of electronic fraud.
 - Two Merit Awards in the 2015 Philippine Quill Awards for the entries: PSBank 2015 TV commercials: Project Massage and Team Huddle: Next Level Under the Marketing, Advertising, and Brand Communication category.
 - PSBank, along with Metrobank, was also awarded by the Asian Banker the Auto Loan Product Of The Year In 2016 (Regional and Country Level) for being the market leader in Auto Loans business in the Philippines propelled by the synergy of the retail strategy of the two banks.
 - Recognized by The Asian Banker as the 2nd strongest bank in the Philippines, its highest ranking to date, following its parent company Metrobank for the period 2016-2017. It has consistently ranked among the Top 10 in the country for six consecutive years.
 - Finalist in the Philippine Stock Exchange Bell Awards for 2016 for excellence in corporate governance, the second time that the Bank was included as a finalist and was the only qualifying thrift bank among companies listed in the stock market.

Strategy of the Bank

Throughout its more than 50 years of operation, the Bank's philosophy is that of being responsive to its clients' banking needs and providing top quality products and services. While its capitalization of ₱45.13 billion as of March 31, 2025 qualifies it to become a commercial bank, the Bank has decided to remain a thrift bank and use its resources to aggressively compete in retail banking.

The Bank will continue to harness inherent synergies with Metrobank but will remain resolute in differentiating itself in terms of markets, products, and service. PSBank and Metrobank have distinct core market focus and have agreed on individually coherent strategies yet complementary, thus having a far wider reach in terms of markets reached. Operational synergies are achieved through coordination on branch expansion, coordination on group-wide concentration limits, and maximization of each institution's competitive advantage.

The Bank has been constantly at the forefront of enhancing customer service experience while developing its products and channels. The Bank always makes it simpler for customers providing faster approval and credit decisions for its key products and has been optimizing and leveraging on available technologies to sustain its growth, acquire new customers, or increase share of wallet of existing ones. It has put in place continuous system and process improvement projects, which enabled it to improve efficiency, manage costs, and ensure service delivery for both products and channels.

In 2011, PSBank launched the PSBank Debit MasterCard, a product which combines the functionality of a debit facility and a savings account in one card. It can be used for shopping, paying bills and making online purchases, both here and abroad. PSBank also introduced the PSBank Prepaid Mastercard, the PSBank Euro Time Deposit and the PSBank Euro Savings Account on the same year. It also made structural changes in the organization and adapted new channels for service delivery.

In 2012, PSBank introduced e-Credit to Micro, Small and Medium Enterprises. The service aimed to provide these companies with an alternative to manual payroll processing. The Bank also rolled out its Time Deposit System to automate the processing of TDs for clients. This allowed branches to focus more on product marketing and sales.

In 2013, PSBank launched the PSBank Kiddie Savers and Teen Savers Accounts to introduce children to the concept of saving money. It also opened a Land Registration Authority ("**LRA**") extension office at its head office for its Home Loan clients to receive, process, and issue certified true copies of certificates of land titles. Lastly, the Bank participated in the ASEAN corporate governance scorecard where it received an overall score of 73% and was part of the top 50 publicly listed corporations in the Philippines. For the third consecutive year, it was also recognized by the Asian Banker 500 publication as the 6th strongest bank in the country.

In 2014, the Bank successfully issued ₱3.0 billion in Basel III-compliant Tier 2 Unsecured Subordinated Notes. In line with the issuance, PSBank was given an Issuer Rating of PRS Aaa (Corp.), which means the company has a very strong capacity to meet its financial commitments relative to that of other Philippine Corporates. A PRS Aaa is the highest corporate credit rating in the Philippine Ratings Corporation scale. The issuer rating assigned to PSBank reflects its very good quality management; its aggressive, highly-visible competitive strategy; very satisfactory asset quality; and sound capitalization. It was again recognized by The Asian Banker as the fifth strongest bank in the Philippines and was the only savings bank in the Top 5 annual ranking. For the first time, PSBank was recognized as one of the 10 finalists in the Philippine Stock Exchange Bell Awards for 2014 for its adherence to the highest standards of corporate governance and regulatory compliance. It also entered into a bancassurance partnership with AXA Philippines to provide its customers with easier access to AXA's wide range of insurance products. It launched its first ever Unit Investment Trust Fund ("**UITF**") product, the PSBank Money Market Fund. During the year, it started offering its PSBank Online Mobile

App which is an online banking facility that allows clients to perform a wide range of transactions on the move. Lastly, PSBank gave its clients more ways to interact through its PSBank Live Chat, a first in the local banking industry, wherein existing and potential clients anywhere in the world can contact customer service assistants regarding their inquiries on deposits, loans, investments and other banking concerns.

In 2015, PSBank maintained its Issuer Rating of PRS Aaa (Corp.) with PhilRatings in line with its outstanding Unsecured Subordinated Tier 2 Notes. It emerged as the only savings bank in The Asian Banker 500 list of the Philippines' Top 10 strongest banks and kept its spot for the past five years. It was conferred the Pagtugon Award by the Bangko Sentral ng Pilipinas for excellence in responding to and addressing issues and concerns of clients referred by the Bangko Sentral. The Bank was also recognized with the Balikang Bayan Best Paying Partner Thrift Bank by the Social Security System for its role as the pension fund's partner in providing universal, equitable and viable social security protection to its members. During the year, it introduced the Lock and Unlock facility for its ATM cards to provide clients with a tool to ensure their accounts' safety amid the rising incidence of fraud. On the branch level, it introduced an automated lobby management system called PSBank Queue Anywhere wherein customers can use a laptop and mobile phone to book a transaction with any PSBank branch. The Bank also launched its Mobile 2.0 and 3.0, a mobile banking facility that has an easy-to-use interface and its improved website www.psbank.com.ph to provide a seamless customer experience.

In recent years, PSBank has been aggressively developing innovative and disruptive digital banking solutions amid growing prevalence of the use of digital technology for banking transactions. PSBank saw the challenge of digitizing banking transactions as an opportunity to provide products and services that would set it apart from other financial organizations. Among such services include Cardless Withdrawal, which allows customers to withdraw cash without using an ATM card; PayMe, which enables customers to give and receive payments from other users in real time; and ATM Lock, which enables clients to lock their ATM card and prevent its unauthorized use in any ATM, point of sale or online transactions that require the card number. Its Mobile Banking is now on its 3rd version having expanded functionalities and improved user experience. All these product and service launches continue to be in line with the Bank's "*Simple Lang, Maaasahan*" (*Simple and Reliable*) brand positioning and promise.

The Bank aims to maintain a strategic management discipline in serving the consumer market. To grow the business in the coming years, it will rely on digitization of products, channels and processes; continuous innovation, providing exceptional customer experience. This will be complemented by the Bank's robust use of customer data for profiling and analytics through its unique customer information system. This will be supported by having a customer-centric performance-oriented culture within the Bank and an organizational structure which encourages employees to be flexible and motivated contributors.

Strategic Initiatives

PSBank has grown to become the largest thrift bank in the Philippines today. Key strategic initiatives centered on strengthening and expanding core businesses have been undertaken to drive sustainable growth, increase shareholder value and solidify the Bank's market leadership and competitive advantage. However, these anticipated developments are not assured and actual results may materially differ as a result of risks and uncertainties the Bank faces.

Focus on Core Business. The Bank has established a platform of sustainable growth through its core business. Although the Bank also caters to select small, medium and large businesses thru its Small and Medium Enterprise ("SME") and Large Enterprise Groups ("LEG"), the Bank has focused on households or the retail consumer as its primary target market for deposit and loan products. This focus allows the Bank to capitalize on existing market leadership, deepen customer relationships, and improve operational efficiency.

Develop a customer-centric organization to achieve service excellence. Leveraging on data analytics and customer information system, the Bank aims to analyze the demographics, transactions and product availments of all of its customer in order to deliver quality products and services. The Bank will also continue to implement its initiatives that drive productivity and efficiency in the organization as well as to pursue a customer-centric strategy.

Enhancing Digital Capabilities to Meet Evolving Customer Needs. Digital banking continues to rise in popularity, with fintech firms intensifying competition for traditional banks. In response, the Bank has strengthened its digital offerings to deliver seamless, intuitive and personalized experiences.

Recent enhancements to PSBank Mobile and Online include in-app account opening, mobile time deposit placements, and upgraded security features that allow users to lock or unlock their ATM cards, change passwords, and monitor transactions through the app. It also offers a personalized experience, enabling users to customize the display of their frequently used features. Other initiatives of the Bank include a two-way SMS facility for easier transaction processing; Seamless Online Loan Application which enhances loan processing efficiency; BOB (Business Online Buddy) upgrade which allows quicker updates, stronger security, and a smoother corporate banking experience; Q-Anywhere queuing system enhancement in PSBank branches to streamline service flow and further reduce wait times for clients to complete their transactions.

Manage Capital Prudently. The Bank continuous to enhance its policies and procedures on credit and collections, risk management, fraud prevention as well as implemented various cost-control programs and automation for improved productivity and cost efficiencies to manage the bank's capital.

Support Initiatives

Internal Processes. The Bank implements various initiatives to improve and streamline internal processes to complement business growth. Various surveys were launched to enable the Bank to capture client perceptions and work on exceeding performance expectations.

Technology Applications. The Bank adopts innovative technology applications to elevate its operational capabilities and improve digital banking solutions for customer convenience and accessibility. In addition, the Bank is also continually working on integrating its systems where possible with Metrobank.

Resource Requirements. The Bank will continue to invest in people development through continued trainings on sales, products and services, risk appreciation, customer experience and other development programs. The Bank also has appropriate incentive packages to encourage expansion of the customer touch points for the Bank's products.

Product Development, Communications and Marketing. The Bank utilizes various consumer research studies to develop new or enhance existing products and marketing programs. It will continue to measure customer satisfaction drivers such as speed in processing, complaint handling, and problem resolution, and, use the same as a feedback mechanism. The Bank utilizes external communications, both traditional and digital, to effectively build and reinforce its story among its markets. The Bank has contracted the services of top agencies to launch its advertising campaigns and provide supplemental public relations efforts.

Business Activities

The Bank's principal business activities are organized as follows: Consumer Banking, Corporate Banking, Branch Banking and Treasury.

Segment Report

Contributions of the business segments to the Bank's operating results for the three months ended March 31, 2025 are as follows:

	March 31, 2025 (Unaudited)				
In ₱ thousands	Consumer Banking	Corporate Banking	Branch Banking	Treasury	Total
Operating income					
Interest income	₱1,454,714	₱55,934	₱2,064,396	₱744,479	₱4,319,523
Service fees and commission	215,646	4,898	331,500	–	552,044
Other operating income	48,610	2,032	143,845	4,029	198,516
Total operating income	1,718,970	62,864	2,539,741	748,508	5,070,083
Non-cash expenses					
Provision for (reversal of) credit and impairment losses	330,657	3,891	82,924	(4,240)	413,232
Depreciation	85,434	797	160,952	208	247,391
Amortization of other intangible assets	19,800	317	8,943	1,059	30,119
Total non-cash expenses	435,891	5,005	252,819	(2,973)	690,742
Interest expense	–	–	601,654	447,746	1,049,400
Service fees and commission expense	3,030	69	4,658	–	7,757
Subtotal	3,030	69	606,312	447,746	1,057,157
Compensation and fringe benefits	287,004	18,149	722,898	7,037	1,035,088
Taxes and licenses	124,065	2,297	133,273	109,845	369,480
Occupancy and equipment-related costs	23,919	29	62,734	(29)	86,653
Security, messengerial and janitorial services	52,096	435	71,125	37	123,693
Miscellaneous	118,469	1,803	166,163	20,281	306,716
Subtotal	605,553	22,713	1,156,193	137,171	1,921,630
Income before share in net income of a joint venture and income tax	674,496	35,077	524,417	166,564	1,400,554
Share in net income of a joint venture					25,277
Income before income tax					1,425,831
Provision for income tax					215,065
Net income					1,210,766

March 31, 2025 (Unaudited)

In ₱ thousands	Consumer Banking	Corporate Banking	Branch Banking	Treasury	Total
Segment assets	₱117,855,303	₱2,974,132	₱49,614,724	₱49,361,730	₱219,805,889
Investment in a joint venture					917,314
Deferred tax assets					1,258,893
Total assets					₱221,982,096
Segment liabilities	₱1,830,209	₱141,528	₱121,153,447	₱53,723,057	₱176,848,241

Consumer Banking

Consumer Banking principally handles individual customer deposits and provides consumer loans, and fund transfer facilities. The Bank's consumer lending business is predominantly consumption loans and real estate loans. Gross of unearned discounts, consumption loans as of March 31, 2025 have grown by 24.29% to ₱97.00 billion while real estate loans have grown by 8.97% to ₱45.02 billion as of March 31, 2025 compared to the same period last year. It is also engaged in small, medium enterprise lending as well as personal loans.

Retail deposit products include current and savings accounts ("CASA") and time deposits in peso and foreign denominated currencies such as US Dollars and Euros.

PSBank developed various sales channels to focus on diverse segments of the market. Branches focused on direct loan clients while Indirect Sales Channel focused on real estate developers, car dealers and financial agencies. Bulk of consumer loans come from these indirect channels which Indirect Sales Group had tapped and develop through the years.

PSBank had also innovated its processes through the use of mobile technology like FAST (Field Application Servicing Tool) which can encode applications even on field or in the dealer's floor.

PSBank also has On-Line services which cater to the tech savvy individuals who want to apply in the comfort of their homes and offices.

Marketing and Customer Experience Groups had initiated direct and indirect customer retention and acquisition programs to ensure proper servicing of existing clients as well as reaching out to the market at large.

The Bank's branch network is its main distribution channel. It also partners with auto dealers, property developers as well as loan agencies for its different products. In some provincial areas, the Bank has set-up sales desks as another distribution channel for its loan products. Currently, the Bank has 18 sales desks. Credit decision-making for consumer loans utilizes a credit scoring process and is centralized in Head Office.

Enterprise Lending

Enterprise Lending Group ("ELG") principally handles loans and other credit facilities for small and medium enterprises ("SMEs"), commercial / middle market, and top corporate customers. The Bank offers credit and financing solutions that are tailor-suited to meet the needs of its customers, and these include term loans, credit lines and stand-by letters of credit. Depending on the loan amount, credit decision is granted either by the Credit Committee, Executive Committee, or the Board of Directors.

ELG's main units, the Large Enterprise Division ("LED") and Small and Medium Enterprise Division ("SMED"), are responsible for underwriting, booking and managing its corporate banking portfolio. Majority of its SME and Commercial portfolio are acquired through the Branch network, while opportunities from Top Corps are referred by Metrobank Group's investment arm - FMIC. The Bank maintains its prudence when it comes to screening and performing credit due diligence on its customers, resulting in a robust, high-quality portfolio. Risk-based pricing is also practiced, resulting in improved group profitability, while still maintaining competitiveness.

PSBank lends across various industries with a significant portion of its loans to real estate buying, selling and leasing activities, general engineering construction, non-life insurance, and wholesale and retail trade, among others. While ELG remains open to most industries, preferably the non-cyclical stable industries that gain immediate benefit from the country's forecasted sustainable economic growth, the group remains cautious in assessing each and every borrower's capability to withstand any externalities that may adversely affect their businesses. ELG finds opportunities within the trading communities of its clients, such as suppliers and customers, as well as lessors and lessees. From commercial and top-tier clients in the real estate and automotive sector, the Bank can also enjoy opportunities for end-user financing such as Home Loans and Auto Loans.

In line with the banking industry's thrust to promote sustainable financing, PSBank ELG will continue to look for opportunities to finance sustainable businesses and initiatives. This includes renewable energy companies and their respective supply chains, companies that promote responsible waste management and institutional issuances of Green Bonds, among others.

As of March 31, 2025, the Bank's commercial loans total ₱7.80 billion.

Branch Banking

As of March 31, 2025, the Bank has 250 branches strategically located in key areas across the nation. Our main thrust is to increase our loan and deposit portfolios, which we will achieve thru our continuous effort to solicit new to the bank clients, coupled with our aggressive cross-selling initiatives.

The Bank owns the premises it occupies for the Head Office in Makati City and 28 of its branches. These offices/branches are all in good condition and there is no mortgage or lien on any of these properties owned by the Bank. The rest of the Bank's branch premises are under lease agreements. Terms of leases range from 5-30 years renewable under certain terms and conditions.

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

	December 31			March 31
	2022	2023	2024	2025
Number of Branches	250	250	250	250
Metro Manila	113	113	113	113
Rest of Luzon	96	96	96	96
Visayas	23	23	23	23
Mindanao	18	18	18	18
ATMs (incl CAM)	557	556	528	517
Total	807	806	778	767

Treasury

Treasury Group is responsible for the efficient management of the Bank's financial resources. This involves management of short-term funding, intra-day liquidity and financial risk exposures. It is also responsible for the management of the Bank's Asset and Liability. The Group is composed of the following units; Asset and Liability Management Division, Treasury Sales Division, Financial Market Division and Strategic Initiatives and Support Department.

The Asset and Liability Management ("ALM") Division focuses on risk analysis and medium to long-term financing needs. The ALM function covers the monitoring of the Bank's interest rate risk, liquidity risk, and foreign exchange risk. ALM Division ensures that the Bank is able to meet its current and future cash-flow obligations. This includes managing the Bank's liquidity gap which arises because of liquidity mismatch of assets and liabilities. It also ensures that the Bank is compliant with the regulatory reserve requirements of the BSP. Balance Sheet Management, under this Division, manages the investment portfolio under the banking book to generate additional returns through active asset selection, rebalancing, and diversification within established regulatory and internal parameters. Said department develops, recommends and implements strategies aimed at enhancing the Bank's core income.

The Treasury Sales Division ensures the Bank's access to stable and wide-ranging funding sources. It is responsible for mobilizing funds from corporate, institutions and high net worth individuals and ensures that funding is obtained with prudent diversification—both in terms of source and tenor—across short, medium- and long-term horizons. The Division focuses on securing deposits and placements at competitive and cost-effective rates while maintaining alignment with the Bank's overall funding strategy.

The Financial Market Division generates trading income thru proprietary trading activities of Government Securities, Sovereign Bonds, US Treasuries as well as Foreign Exchange trading. The division analyzes market trends for trading strategies and manages risk exposure on the proprietary positions.

The Strategic Initiatives and Support Department is tasked to formulate, review, and facilitate the implementation of policies on bank initiatives in Treasury. It likewise monitors regulatory developments affecting Treasury activities, ensures processes for future compliance in coordination with relevant units on strategic Treasury matters, institute processes enhancements, and establish control objectives for guidance and observance by all the different units of the Treasury.

The group's trading, lending and sourcing activities are subject to internal and external controls/limits to ensure best banking practice. The basis for the limit setting is the risk tolerance appetite and budget. All limits are being reviewed by the Risk Oversight Committee and endorsed to the Board for approval.

The Investment Committee oversees the Bank's investment strategies. Investments in HTC and FVOCI focus more on generating a steady stream of revenues with the least possible credit risk and capital charge. The Asset and Liability Committee ensures that the Bank has adequate liquidity while managing the bank's spread between the interest income and interest expense.

Competition

As of BSP data dated December 31, 2024*, the Bank ranks as the #1 thrift bank in terms of assets. It remains a strong player in the retail and consumer banking space, despite growing competition from new entrants such as digital banks, and aggressive marketing by rival traditional banks. In response to these challenges, the Bank has continued to integrate innovation and operational efficiencies across its products, services, and processes to sustain its growth momentum. To stay ahead, it has also enhanced its digital offerings and expanded its mobile and online banking capabilities.

Despite stiff competition across various financial segments, PSBank has maintained a strong market position—not only among thrift banks but also against universal banks. By leveraging technology, deploying innovative marketing strategies, and maintaining a customer-centric culture, PSBank has successfully expanded its footprint and captured a significant share of the consumer banking market.

*Source: <https://www.bsp.gov.ph/Statistics/Financial%20Statements/Thrift/assets.aspx>

Customers/Clients

While the Bank's client base has been traditionally composed of big and small savers, PSBank has since refocused its strategy towards customers belonging to the Broad C market that includes employed individuals, professionals and business entrepreneurs.

As of March 31, 2025, the Bank services about 900,000 deposit and loan account customers. Many customers have remained loyal depositors and borrowers of the Bank through the years. There is no single customer that accounts for 20.0% or more of the Bank's deposit liabilities and loans.

Loan Portfolio

The Bank offers a wide range of consumer and business loans. For consumer loans, these include: Auto Loan with Prime Rebate, Flexi Personal Loan with Prime Rebate, Home Loan with Prime Rebate, Home Credit Line, Home Construction Loan and Multi-Purpose Loan. For business loans, these include SME Business Credit Line, Credit Line, SME Term Loan with Prime Rebate, Standby Credit Certification and Domestic Bills Purchase Line and Domestic Letter of Credit/Trust Recipient Line.

Industry Concentration and Product Type

The table below shows the Bank's gross loans classified by economic activity, as defined and categorized by the BSP.

(In ₱ millions)	December 31 (audited)						March 31 (unaudited)	
	2022	%	2023	%	2024	%	2025	%
Activities of households as employers and undifferentiated goods-and-services producing activities of households for own use	63,640	57.03	77,667	62.03	92,787	64.45	99,295	65.41
Real estate activities	37,408	33.52	36,589	29.22	38,836	26.98	39,795	26.22
Wholesale and retail trade, repair of motor vehicles and motorcycles	2,018	1.81	2,346	1.88	3,111	2.16	3,167	2.09
Financial and insurance	1,278	1.15	1,435	1.16	1,240	0.86	1,248	0.82
Transportation and storage	913	0.82	1,014	0.81	982	0.68	1,036	0.68
Electricity, gas, steam and air-conditioning supply	1,340	1.20	895	0.71	920	0.64	769	0.51
Manufacturing	568	0.51	564	0.45	698	0.48	696	0.46
Construction	611	0.55	608	0.49	735	0.51	694	0.46
Accommodation and food service activities	189	0.17	194	0.16	292	0.20	439	0.29

(In ₦ millions)	December 31 (audited)						March 31 (unaudited)	
	2022	%	2023	%	2024	%	2025	%
Administrative and support service activities	329	0.30	313	0.25	288	0.20	290	0.19
Agriculture, forestry and fishing	71	0.06	76	0.06	186	0.13	214	0.14
Education	119	0.11	130	0.10	183	0.13	196	0.13
Professional, scientific and technical activities	132	0.12	151	0.12	141	0.10	140	0.09
Human health and social work activities	112	0.10	90	0.07	84	0.06	101	0.07
Information and communication	75	0.07	96	0.08	89	0.06	87	0.06
Arts, entertainment and recreation	72	0.06	79	0.06	80	0.06	77	0.05
Water supply, sewerage, waste management and remediation activities	43	0.04	66	0.05	63	0.04	70	0.05
Mining and quarrying	5	-	6	-	5	-	3	0.00
Others	2,664	2.39	2,883	2.30	3,250	2.26	3,477	2.29
Total	111,588	100.00	125,202	100.00	143,969	100.00	151,795	100.00

The Bank employs product limits, single borrower limit, DOSRI limit and Metrobank Group lending limits in its exposures. The ROC oversees the system of limits to discretionary authority that the Board delegates to Management and ensures that the system remains effective, limits are observed, and immediate corrective actions are taken whenever limits are breached. These limits are compliant to pertinent BSP regulations.

The table below shows the Bank's gross loans classified by type of product.

(In ₦ millions)	December 31 (Audited)						March 31 (Unaudited)	
	2022	%	2023	%	2024	%	2025	%
Consumption Loans	60,698	54.39	75,083	59.97	90,460	62.83	96,995	63.90
Real Estate	42,188	37.81	41,267	32.96	43,845	30.45	45,021	29.66
Commercial	6,479	5.81	6,749	5.39	7,669	5.33	7,804	5.14
Personal Loans	2,223	1.99	2,103	1.68	1,995	1.39	1,975	1.30
Total	111,588	100.00	125,202	100.00	143,969	100.00	151,795	100.00

Source: PSBank

Note: Loans breakdown is gross of unearned discounts and allowance for credit losses

Over the last three years, the Bank's loan portfolio has been concentrated with auto and real estate loans. As of March 31, 2025, auto loans have grown 24.29% and real estate loans have grown 8.97% from their respective levels in March 31, 2024. With the Bank's continued investments in information technology, greater automation and integration of processes have been achieved. This has also brought out improved efficiency through faster turn-around time for credit decisions, more uniform compliance with credit policies and better profit monitoring for its loan portfolio. As a result, the Bank offers one of the fastest turn-around times for mortgage and auto loan applications in the industry with a one day turn-around time for Auto Loans, five days for Home Loans and three days for Flexi/Personal Loans.

Maturity

The table below shows the Bank's gross loans by maturity.

(In ₦ millions)	December 31						March 31	
	2022	%	2023	%	2024	%	2025	%
Due within one year	9,941	8.91	9,966	7.96	8,936	6.21	8,767	5.78
Due within one to five years	65,067	58.31	80,835	64.56	99,003	68.77	105,458	69.47
Due after five years	36,580	32.78	34,401	27.48	36,030	25.02	37,570	24.75
Total	111,588	100.00	125,202	100.00	143,969	100.00	151,795	100.00

Source: PSBank

Note: Loans breakdown is gross of unearned discounts and allowance for credit losses

Loans due within one year consist of personal loans. Loans due within one to five years consist primarily of auto-loans. Loans due after five years consist primarily of real estate loans for housing purchases.

(In ₱ millions)	March 31, 2025					
Breakdown of Loans by Type and Maturity	Due within 1 year	%	Due within 1-5 years	%	Due after 5 years	%
Auto	1,893	21.60	94,740	89.84	362	0.96
Commercial	3,343	38.13	3,205	3.04	1,257	3.35
Home Mortgage	2,240	25.56	6,914	6.56	35,867	95.46
Others	1,291	14.71	599	0.56	84	0.23
Total	8,767	100.00	105,458	100.00	37,570	100.00

(In ₱ millions)	December 31, 2024					
Breakdown of Loans by Type and Maturity	Due within 1 year	%	Due within 1-5 years	%	Due after 5 years	%
Auto	2,128	23.81	88,290	89.18	43	0.12
Commercial	3,252	36.40	3,283	3.32	1,133	3.15
Home Mortgage	2,253	25.21	6,826	6.89	34,766	96.49
Others	1,303	14.58	604	0.61	88	0.24
Total	8,936	100.00	99,003	100.00	36,030	100.00

Source: PSBank

Note: Loans breakdown is gross of unearned discounts and allowance for credit losses

Borrower

The table below shows the Bank's gross loans by type of borrower.

(In ₱ millions)	December 31						March 31	
	2022	%	2023	%	2024	%	2025	%
Individual	105,282	94.35	118,808	94.89	136,683	94.94	144,320	95.08
Corporation	6,306	5.65	6,394	5.11	7,286	5.06	7,475	4.92
Total	111,588	100.00	125,202	100.00	143,969	100.00	151,795	100.00

Source: PSBank

Note: Loans breakdown is gross of unearned discounts and allowance for credit losses

Size

The table below shows the Bank's gross loans by principal amount.

(In ₱ millions)	December 31		March 31	
	2024	%	2025	%
Less than 1,000,000	70,161	48.73	72,800	47.96
1,000,001 to 2,000,000	46,760	32.48	50,406	33.21
2,000,001 to 3,000,000	9,815	6.82	10,440	6.88
More than 3,000,000	17,233	11.97	18,149	11.96
Total	143,969	100.00	151,795	100.00

Source: PSBank

Note: Loans breakdown is gross of unearned discounts and allowance for credit losses

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 March 31, 2025, the Bank has complied with the single borrower's limit for all of its loans.

Secured and Unsecured

The table below shows the Bank's secured and unsecured loans according to type of collateral.

(In ₦ millions)	December 31 (Audited)						March 31 (Unaudited)	
	2022	%	2023	%	2024	%	2025	%
Secured								
Chattel	50,754	45.48	59,766	47.73	68,039	47.26	69,267	45.63
Real Estate	30,173	27.04	30,985	24.75	33,098	22.99	33,455	22.04
Deposit hold-out	598	0.54	597	0.48	500	0.35	525	0.35
Unsecured	30,063	26.94	33,854	27.04	42,332	29.40	48,548	31.98
Total	111,588	100.00	125,202	100.00	143,969	100.00	151,795	100.00

Source: PSBank

Note: Loans breakdown is gross of unearned discounts and allowance for credit losses

Pricing and Rating

Pricing of loans follows the approved mechanics in the respective Product Manuals. Upon booking of loans, the Bank rates accounts using PFRS9 compliant models. These provide basis for loss provisioning. Moreover, the Bank carries out stress testing analyses using Board-approved statistical models relating the default trends to macroeconomic indicators.

Credit Policy and Loan Review

All consumer loan applications are initially evaluated through the Bank's credit scoring system, which serves as the primary basis for credit decisions. Applications that meet established criteria are processed accordingly, while those requiring further assessment are escalated to the appropriate Credit Committee ("CreCom") level, depending on the size and risk profile of the transaction. These exceptions may be approved in line with the Bank's defined credit delegation authority, with approval limits clearly documented, regularly monitored, and reviewed to ensure continued alignment with the Bank's risk appetite and strategic direction. For commercial loans, Credit proposals are approved at the Credit Committee level appropriate to the size and risk of each transaction in conformity with corporate policies and procedures in regulating credit risk activities. The Bank's Executive Committee may approve deviations or exceptions, while the Board approves material exceptions such as large exposures, loans to directors, officers, stockholders and other related interests ("DOSRI"), and loan restructuring. Credit delegation limits are identified, tracked and reviewed at least annually by the head of Credit Administration Group together with the Credit Risk Manager.

The credit risk policies and system infrastructure ensure that loans are monitored and managed at all times. The bank maintains credit records and documents on all borrowings and capture transaction details in its loan systems. Various credit portfolio analytics, including segmented customer delinquency trending, are tracked regularly to guide management strategy and decision making. The bank conducts regular loan review through the Credit MOS (Management Operating System) with the support of the RMO. The Bank examines its exposures, credit risk ratios, provisions and customer segments.

Accounts that turn delinquent are monitored via the automated collections systems. Approved collection efforts and strategies are defined in the system. Delinquent accounts are outsourced to collection agencies which get paid based on amount-collected. Restructuring of loans may be pursued in order to improve recovery of loan, and not to delay recognition of losses. Loans are subjected to impairment allowance whenever there is evidence of difficulty in generating recovery of the loan.

The Bank has independent Credit Supervision personnel under-Credit Risk Management Unit which handles primarily the regular review of loan accounts in terms of loan classification and allowance for probable loss.

The Bank employs product limits, single borrower limit, RPT limit, DOSRI limit and Metrobank Group lending limits in its exposures. The ROC oversees the system of limits to discretionary authority that the Board delegates to management and ensures that the system remains effective, the limits are observed, and that immediate corrective actions are taken whenever limits are breached. These limits are compliant with pertinent BSP regulations.

BSP Classification

In categorizing its loan portfolio, the Bank has adopted the expected credit loss ("ECL") models in measuring credit impairment. This is in accordance with the provisions on adoption of PFRS 9 specified in BSP Circular 1011. Under this approach, the Bank recognizes allowance for credit losses even before an objective evidence of impairment becomes apparent. These ECL models built using quantitative approaches consider past events, current conditions, and forecasts of future economic conditions. Loan accounts are categorized into 3 stages. Stage 1 consists of non-impaired exposures that have not experienced significant increase in credit risk since initial recognition. The Bank recognizes a 12-month ECL for Stage 1 accounts. Stage 2 consists of non-impaired exposures which have experienced significant increase in

credit risk since initial recognition. The Bank recognizes a lifetime ECL for Stage 2 accounts. Lastly, exposures that show objective evidence of impairment are classified as Stage 3 and are consequently provided using lifetime ECL.

The credit quality of receivables from customers, gross of allowance for credit losses, as of December 31, 2024 and March 31, 2025 follows (in millions):

	March 31, 2025						
	Stage 1		Stage 2		Stage 3		
	Individual	Collective	Individual	Collective		POCI	Total
Consumption Loans:							
High Grade	P-	P76,587	P-	P-	P-	P-	P76,587
Standard Grade	-	9,886	-	-	-	-	9,886
Sub-standard Grade	-	-	-	4,200	-	-	4,200
Past due but not Impaired	-	-	-	3,665	-	-	3,665
Non-performing Individually Impaired	-	-	-	-	2,657	-	2,657
	-	86,473	-	7,865	2,657	-	96,995
Real Estate Loans:							
High Grade	-	39,210	-	-	-	-	39,210
Standard Grade	-	-	-	-	-	-	-
Sub-standard Grade	-	-	-	3,577	-	-	3,577
Past due but not Impaired	-	-	-	1,042	-	-	1,042
Non-performing Individually Impaired	-	-	-	-	1,122	-	1,122
	-	39,210	-	4,619	1,122	-	44,951
Commercial Loans:							
High Grade	-	7,303	-	-	-	-	7,303
Standard Grade	-	45	-	-	-	-	45
Sub-standard Grade	-	-	-	192	-	-	192
Past due but not Impaired	-	-	-	55	-	-	55
Non-performing Individually Impaired	-	-	-	-	209	-	209
	-	7,348	-	247	209	-	7,804
Personal Loans:							
High Grade	-	448	-	-	-	-	448
Standard Grade	-	151	-	-	-	-	151
Sub-standard Grade	-	-	-	1205	-	-	1205
Past due but not Impaired	-	-	-	20	-	-	20
Non-performing Individually Impaired	-	-	-	-	151	-	151
	-	599	-	1225	151	-	1975
Total Receivables from Customer:							
High Grade	-	123,548	-	-	-	-	123,548
Standard Grade	-	10,082	-	-	-	-	10,082
Sub-standard Grade	-	-	-	9,174	-	-	9,174
Past due but not Impaired	-	-	-	4,782	-	-	4,782
Non-performing Individually Impaired	-	-	-	-	4,139	-	4,139
	P-	P133,630	P-	P13,956	P4,139	P-	P151,725

	December 31, 2024						
	Stage 1		Stage 2		Stage 3		
	Individual	Collective	Individual	Collective		POCI	Total
Consumption Loans:							
High Grade	P-	P71,767	P-	P-	P-	P-	P71,767
Standard Grade	-	9,005	-	-	-	-	9,005
Sub-standard Grade	-	-	-	3,755	-	-	3,755
Past due but not Impaired	-	-	-	3,625	-	-	3,625
Non-performing Individually Impaired	-	-	-	-	2,307	-	2,307
	-	80,772	-	7,380	2,307	-	90,459
Real Estate Loans:							
High Grade	-	37,964	-	-	-	-	37,964
Standard Grade	-	-	-	-	-	-	-
Sub-standard Grade	-	-	-	3,563	-	-	3,563
Past due but not Impaired	-	-	-	1,187	-	-	1,187
Non-performing Individually Impaired	-	-	-	-	1,057	-	1,057
	-	37,964	-	4,750	1,057	-	43,771
Commercial Loans:							
High Grade	-	7,181	-	-	-	-	7,181
Standard Grade	-	51	-	-	-	-	51

	December 31, 2024						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Sub-standard Grade	-	-	-	192	-	-	192
Past due but not Impaired	-	-	-	28	-	-	28
Non-performing Individually Impaired	-	-	-	-	218	-	218
	-	7,232	-	220	218	-	7,670
Personal Loans:							
High Grade	-	454	-	-	-	-	454
Standard Grade	-	136	-	-	-	-	136
Sub-standard Grade	-	-	-	1,229	-	-	1,229
Past due but not Impaired	-	-	-	24	-	-	24
Non-performing Individually Impaired	-	-	-	-	152	-	152
	-	590	-	1,253	152	-	1,995
Total Receivables from Customer:							
High Grade	-	117,365	-	-	-	-	117,365
Standard Grade	-	9,191	-	-	-	-	9,191
Sub-standard Grade	-	-	-	8,740	-	-	8,740
Past due but not Impaired	-	-	-	4,864	-	-	4,864
Non-performing Individually Impaired	-	-	-	-	3,734	-	3,734
	P-	P126,557	P-	P13,604	P3,734	P-	P143,894

As of March 31, 2025, and December 31, 2024, allowance for credit losses on receivable from customers amounted to P3.30 billion and P3.41 billion, respectively.

Prior to January 1, 2018, the Bank follows the BSP's categorization of risk assets according to their risk profile. All risk assets, in particular the Bank's loan portfolio, are either classified or unclassified. Those loans which do not have a greater than normal risk, and for which no loss on ultimate collection is anticipated, are unclassified. 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, and the appropriate loan loss allowance is made in accordance to the bank's internal loss classification allowance models compliant to BSP circular 855 guidelines.

The following is a summary of the risk classification of the Bank's gross loans and allowance for probable loan losses:

(In ₱ millions)	December 31		March 31 (Unaudited)	
	2024	%	2025	%
Risk Classifications				
Especially mentioned	5,694	3.95	5,493	3.62
Substandard	2,110	1.47	2,308	1.52
Doubtful	960	0.67	1,133	0.75
Loss	436	0.30	455	0.30
Total Classified	9,200	6.39	9,389	6.19
Unclassified	134,769	93.61	142,406	93.81
Total	143,969	100.00	151,795	100.00
Allowance for Probable Losses				
Specific	2,348	67.25	2,194	65.12
General	1,143	32.75	1,175	34.88
Total	3,491	100.00	3,369	100.00

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, investments, receivables, or any financial asset shall be considered non-performing, even without any missed contractual payments, when it is considered (1) impaired under existing accounting standards, (2) classified as doubtful or loss, (3) in litigation, (4) 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 (5) unpaid for more than ninety (90) days from contractual due date, or

accrued interests for more than ninety (90) days have been capitalized, refinanced, or delayed by agreement. (6) Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after it has become past due. (7) Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained.

The following table shows the Bank's non-performing loans, non-performing assets, allowances and restructured loans (amounts in Philippine Peso):

	December 31			March 31
	2022	2023	2024	2025
Gross NPLs	4,044,564,271	4,397,136,029	3,735,595,964	4,140,095,890
Net NPLs	2,395,274,672	2,538,245,711	2,418,574,389	2,861,640,447
Gross Total Loan Portfolio (TLP)	114,257,687,810	132,233,618,515	144,368,654,303	157,794,907,788
Ratio of Gross NPLs to gross TLP (%)	3.54%	3.33%	2.59%	2.62%
Ratio of Net NPLs to gross TLP (%)	2.10%	1.92%	1.68%	1.81%
Real and other properties acquired (ROPOA, net of impairment & accumulated depreciation) - based on BSP formula	2,352,820,149	2,564,888,872	2,458,741,991	2,654,080,252
Non-performing assets (NPA) - based on BSP formula (Gross)	6,568,209,472	7,131,289,035	6,344,813,776	6,943,666,102
NPA as a percentage of total assets (%) * using total assets reported in the BSP Published Balance Sheet	2.49%	3.01%	2.95%	3.15%
NPA as a percentage of Gross Total Loan Portfolio (TLP) (%)	5.75%	5.39%	4.39%	4.40%
Allowance for probable loan losses (sum of general loan loss provision & specific allowance)	5,352,138,842	5,696,232,255	3,490,830,327	3,368,649,937
Allowance for probable losses (ROPA)	162,573,237	162,962,092	146,269,276	145,647,011
Allowance for probable loan losses as a percentage of total Gross NPL (%)	132.33%	129.54%	93.45%	81.37%
Total Allowance for probable losses (sum of allowance for probable loan losses & allowance for probable losses-ROPA) as a percentage of NPA (%)	83.96%	82.16%	57.32%	50.61%
Total restructured loans (gross of allowance)	99,961,740	155,171,501	63,062,735	58,513,441
Restructured loans to gross total loan portfolio (TLP)	0.09%	0.12%	0.04%	0.04%
Loans-written-off	1,067,643,826	257,938,819	1,200,538,488	229,514,032

*total assets reported in the BSP Published Balance Sheet
Source: PSBank, based on BSP reports

The following table sets forth, as at 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:

	December 31						March 31	
	2022	%	2023	%	2024	%	2025	%
Accommodation and Food Services Activities	10	0.26%	9	0.21%	11	0.29%	9	0.22%
Activities of Households as Employers and Undifferentiated Goods-and-Services-Producing Activities of Households for Own Use	2	0.06%	1	0.03%	1	0.03%	1	0.03%
Administrative and Support Service Activities	14	0.36%	13	0.30%	8	0.22%	5	0.11%
Arts, Entertainment and Recreation	1	0.02%	0	0.00%	0	0.00%	0	0.00%
Construction	15	0.37%	12	0.28%	5	0.13%	7	0.16%
CONSUMPTION	2,185	54.01%	2,806	63.82%	2,464	65.96%	2,809	67.84%
Education	0	0.00%	1	0.01%	1	0.01%	0	0.00%
Electricity, Gas, Steam and Air Conditioning Supply	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Financial and Insurance Activities	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Human Health and Social Activities	1	0.02%	0	0.00%	0	0.00%	0	0.00%

	December 31						March 31	
	2022	%	2023	%	2024	%	2025	%
Information and Communication	0	0.01%	1	0.01%	0	0.00%	0	0.00%
Manufacturing	54	1.33%	51	1.16%	52	1.38%	45	1.08%
Mining and Quarrying	1	0.04%	1	0.03%	1	0.04%	1	0.04%
Other Service Activities	131	3.24%	120	2.73%	100	2.69%	115	2.77%
Professional, Scientific and Technical Services	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Real Estate Activities	1,375	34.01%	1,180	26.84%	971	25.99%	1,031	24.91%
Transportation and Storage	114	2.83%	84	1.91%	13	0.35%	12	0.29%
Water Supply, Sewerage, Waste Management and Remediation Activities	0	0.00%	1	0.03%	2	0.05%	0	0.00%
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	139	3.44%	116	2.64%	107	2.86%	106	2.55%
Total	4,045	100.00%	4,397	100.00%	3,736	100.00%	4,140	100.00%

Deposit Liabilities

The Bank offers a wide range of deposit products that primarily cater to consumer and retail customers. Deposit products include: Kiddie and Teen Savers Accounts, Instant ATM Savings, Regular Passbook Savings, Passbook with ATM, Overseas Filipino Savings, Regular Checking, Premium Checking, Prime Time Deposit, Peso Time Deposit, 1,2,and 3-Year Time Deposit, Dollar Savings, Dollar Time Deposit, Euro Savings, and Euro Time Deposit.

The following table shows the Bank's deposit liabilities according to type:

(in ₱ millions)	December 31 (audited)			March 31 (unaudited)
	2022	2023	2024	2025
Demand	26,602	25,326	25,535	26,005
Savings	46,933	46,463	47,745	48,437
Time	135,159	112,749	91,273	95,237
LTNCTD	5,078	5,084	-	-
Total	213,772	189,623	164,553	169,679

Source: PSBank

As of March 31, 2025, Peso low-cost to total deposit ratio is 42.16% while total low-cost to total deposit ratio is 43.87%. The Bank's cost of deposit funds is typically at par with its competitors. The Bank lengthened the tenor of its funding liabilities by the introduction in 2001 of Prime TD for Peso Deposits.

The following table shows the Bank's deposit liabilities by currency.

(in ₱ millions)	December 31						March 31	
	2022	%	2023	%	2024	%	2025	%
Current	26,602	12.44	25,326	13.36	25,535	15.52	26,005	15.33
Peso	26,602		25,326		25,535		26,005	
Foreign	-		-		-		-	
Savings	46,933	21.95	46,463	24.50	47,745	29.02	48,437	28.55
Peso	43,959		43,635		44,838		45,536	
Foreign	2,974		2,828		2,907		2,902	
Time	135,159	63.23%	112,749	59.46	91,273	55.47	95,237	56.13
Peso	124,162		103,088		80,699		85,661	
Foreign	10,997		9,661		10,574		9,576	
LTNCTD	5,078	2.38	5,084	2.68	-	-	-	-
Peso	5,078		5,084		-		-	
Foreign	-		-		-		-	
Total	213,772	100.00%	189,623	100.00	164,553	100.00	169,679	100.00

Source: PSBank

As of March 31, 2025, Peso deposits comprise 92.65% of the Bank's total deposit liabilities while the balance is from dollar deposits. Although the branch network is spread over the country, 61.23% of total deposit liabilities are from Metro Manila. Large fund providers (clients with deposits of at least ₱100.00 million) are monitored by Market Risk.

Capital Adequacy

The following table shows the Bank's capital base by category.

	December 31		March 31	
	2022	2023	2024	2025
Common Equity Tier 1 capital	₱35,685	₱38,876	₱41,887	₱43,025
Less: Regulatory Adjustments to CET1 capital	2,164	2,998	3,412	3,296
Total Tier 1 Capital	33,521	35,878	38,475	39,729
Tier 2 capital	1,193	1,368	1,767	1,827
Less: Regulatory Adjustments to Tier 2 capital	—	—	—	—
Total Tier 2 capital	1,193	1,368	1,767	1,827
Total qualifying capital	₱34,714	₱37,246	₱40,242	₱41,556

The components of Tier 1 capital and regulatory adjustments as follow (in millions):

	December 31		March 31	
	2022	2023	2024	2025
	CET1	CET1	CET1	CET1
Paid-up common stock	₱4,269	₱4,269	₱4,269	₱4,269
Additional paid-in capital	11,419	11,419	11,419	11,419
Retained Earnings	17,264	19,419	22,117	26,958
Undivided Profits	3,483	4,497	5,190	1,217
Other comprehensive income				
Net unrealized gains (losses) on AFS securities	(112)	26	15	195
Cumulative foreign currency translation	4	4	4	4
Remeasurement Losses on Retirement Plan	(633)	(749)	(1,129)	(1,039)
Gains/(Losses) on Fair Value Adjustments of Hedging Instruments	(9)	(9)	2	2
Sub-total	₱35,685	₱38,876	₱41,887	₱43,025

Less Regulatory adjustments:

Total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders and their related interests (DOSRI)

	₱190	₱187	₱184	₱182
Deferred tax asset	848	1,691	1,899	1,804
Goodwill	30	30	30	30
Other intangible assets	280	245	407	363
Significant minority investments	816	845	892	917
Total deductions	2,164	2,998	3,412	3,296
Total Common Equity Tier 1 capital	₱33,521	₱35,878	₱38,475	₱39,729
Additional Tier 1 (AT1) capital	—	—	—	—
Total Tier 1 capital	₱33,521	₱35,878	₱38,475	₱39,729

The components of Tier 2 capital and deductions, as reported to BSP as of December 31, 2022, 2023, 2024 and March 31, 2025 consist of the following (in millions):

	December 31			March 31
	2022	2023	2024	2025
Unsecured subordinated debts	P—	P—	P—	P—
General loan loss provision*	1,193	1,368	1,767	1,827
Less: Regulatory adjustments	—	—	—	—
Total Tier 2 capital	P1,193	P1,368	P1,767	P1,827

*Limited to a maximum of 1% of credit risk-weighted assets, and any amount in excess thereof shall be deducted from the credit risk-weighted assets in computing the denominator of the risk-based capital ratio
Source: PSBank

As of March 31, 2025, total capital adequacy ratio was at 23.47% while its Tier 1 capital adequacy ratio was at 22.44%. As of December 31, 2022, 2023 and 2024, the Bank's total capital adequacy ratio stood at 24.85%, 24.46%, 23.56%, respectively. As of December 31, 2022, 2023 and 2024, the Bank's Tier 1 capital adequacy ratio stood at 23.99%, 23.56%, 22.52%, respectively.

As the thrift bank arm of Metrobank, the Bank is compliant with Basel III requirements and undergoes an annual ICAAP exercise. The target of the Bank is above 11.5% CAR even with the expansion of its loan portfolio.

Risk Management

Responsibility for managing risks rests on every employee of the Bank. The Bank's Board and senior management are actively involved in planning, approving, reviewing, and assessing risks through various committees. The parameters they set govern all their risk-taking activities.

In 2023, the Bank recalibrated its ECL models to ensure provisions remained adequate despite inflation and global uncertainties. This was followed in 2024 by further updates aimed at improving credit decision-making and maintaining portfolio quality. The Bank revised its application and behavioral scorecards to improve risk assessment in consumer lending, particularly in view of changes in borrower behavior since the pandemic crisis. It also refined its Probability of Default ("PD") and Loss Given Default ("LGD") models to better reflect the current economic landscape and support more efficient capital use. These scorecards and models are regularly monitored, validated, and adjusted to ensure accuracy and effectiveness. Cut-off scores are reviewed based on portfolio performance and market trends, allowing the Bank to respond quickly to emerging risks. Through ongoing data analytics, the Bank actively monitors new loan bookings and makes timely underwriting adjustments when specific segments show elevated risk.

Risk Management Structure

The Board of Directors takes the lead in all major initiatives. It approves broad risk management strategies and policies, and ensures that these are consistent with the Bank's overall objectives.

The Risk Oversight Committee ("ROC") is comprised of at least three members of the Board, the majority of whom are independent directors including its Chairperson. They possess expertise and knowledge of the Bank's risk exposures, which enable them to develop appropriate strategies for preventing or minimizing the impact of losses.

The Board may also appoint non-Directors to the ROC as part of the Metrobank Group's risk oversight measures. However, only Bank Directors shall be considered as voting members of the ROC. Nonvoting members are appointed in an advisory capacity.

Overall responsibility for the Bank's risk management process rests with the ROC. It formulates policies and strategies to identify, measure, manage and limit the Bank's risks. The ROC ensures that the system of limits approved by the Board remains effective. It also makes certain that limits are observed and that immediate corrective actions are taken whenever needed. The Risk Management Office ("RMO"), together with the President, various committees and management, support the ROC in the fulfillment of its duties and responsibilities.

RMO is independent from executive functions and business line responsibilities, operations and revenue-generating functions. It reports directly to the Board through the ROC.

The RMO supports the ROC in carrying out its responsibilities by:

- Analyzing, communicating, implementing and maintaining the risk management policies approved by the ROC and the Board;

-
- Spearheading the regular review of the Bank's risk management policies and elevating recommendations that enhance the risk management process to the ROC and the Board, for their approval; and
 - Ensuring that the risks arising from the Bank's activities are identified, measured, analyzed, reported and understood by risk takers, management, and the Board. It analyzes limit exceptions and recommends enhancements to the limits structure.

Risk Management Office is responsible for:

- identifying the key risk exposures and assessing and measuring the extent of risk exposures of the bank and its trust operations;
- monitoring the risk exposures and determining the corresponding capital requirement in accordance with the Basel III capital adequacy framework and based on the Bank's internal capital adequacy assessment on an ongoing basis;
- monitoring and assessing decisions to accept particular risks whether these are consistent with Board-approved policies on risk tolerance and appetite as well as the effectiveness of the corresponding risk mitigation measures; and
- reporting on a regular basis to Senior Management and the Board the results of assessment and monitoring.

Various Types of Risk

Credit Risk

Credit Risk arises when a counterparty fails to meet its contractual obligations. Due to its low tolerance for nonperforming loans, its lending business follows strict credit policy guidelines set by the ROC and Board. These guidelines serve as the minimum standards for extending credit. Everyone engaged in the credit process is required to understand and adhere to these policies. The Board — through the ExCom, CreCom, and ROC ensures that all business segments follow these standards.

The Bank's product manuals contain business plans and define the business parameters by which credit activity is to be performed. Before extending a loan, a system of checks and balances is observed, including the approval of at least two credit approvers through the Credit Committee ("**CreCom**"), Executive Committee ("**ExCom**"), or the Board.

The ROC reviews the business strategies and ensures that revenue-generating activities are conducted within the overall risk appetite and meet the Board-approved credit risk thresholds. Key performance indicators are established to assess the Bank's portfolio growth and health. Regular assurance reviews are regularly held across the organization.

The Bank uses credit scoring models and decision systems for consumer loans as approved by the BOD. Borrower risk rating model and facility risk rating model, on the other hand, are available for SME loans, and supported with qualitative evaluation. Regular monitoring of all these tools and their performance is carried out to ensure that they remain effective.

The Bank conducts regular loan review through the ROC, with the support of the RMO. The Bank examines its exposures, credit risk ratios, provisions and customer segments. The Bank's unique customer identification and unique group identification methodology enables it to aggregate credit exposures by customer or group of borrowers. Aggregate exposures of at least ₱100.0 million are put on a special monitoring.

The Bank uses ECL models to measure the credit quality of financial assets, credit scoring models and decision systems for consumer loans, and borrower risk rating and facility risk rating models for SME loans, as approved by the Board. The Bank carries out stress testing analyses using Board approved statistical models, relating the default trends to macroeconomic indicators.

Concentration of risk is managed by borrower, by group of borrowers, by geographical region and by industry sector. These are closely monitored with sufficient senior level oversight to ensure that the bank's low risk tolerance and policies for risk concentration are enforced.

In 2023, the Philippine economy exhibited resilience and growth despite global challenges. Steady expansion in GDP was observed but inflation and external uncertainties persisted necessitating government's careful economic management. The Bank reviewed and recalibrated its expected credit loss models to ensure the sufficiency of its calculated provisions and appropriateness of the models in light of the changing economic landscape.

In 2024, the Bank enhanced its credit models for both scoring and provisioning to strengthen risk management and improve decision-making. Pandemic-era overlay models for consumer loans were updated to improve stability and reliability, while Application and Behavioral scoring models were recalibrated to enhance risk assessment. The Bank also refined its PD and LGD models to better reflect current economic conditions and optimize capital use. Separately,

the Bank continues to enhance its integration of bureau and alternative data sources, further improving borrower evaluation and lending decisions. As part of its ongoing efforts to maintain portfolio quality, the Bank actively manages the credit risk of its incoming portfolio through data analytics. Regular monitoring enables timely adjustments, such as underwriting refinements and stricter credit parameters, when certain segments show elevated risk. These measures ensure that risk-taking activities remain well-controlled and aligned with the Bank's prudent credit risk management framework. These efforts reinforce the Bank's commitment to a forward-looking, data-driven approach to credit risk management.

Market Risk

This covers the areas of trading, interest rate, and liquidity risks. Trading market risk is the risk to earnings and capital arising from changes in the value of traded portfolios of financial instruments. Interest rate risk arises from movements in interest rates. Liquidity risk is the inability to meet obligations when they fall due without incurring unacceptable losses.

The Bank's market risk policies and implementing guidelines are regularly reviewed by the Assets & Liabilities Committee ("ALCO"), ROC and the Board to ensure that these are up-to-date and in line with changes in the economy, environment and regulations.

The ROC and the Board set the comprehensive market risk limit structure and define the parameters of market activities that the Bank can engage in. The Bank utilizes various measurement and monitoring tools to ensure risk-taking activities are managed within instituted market risk parameters.

Trading Market Risk

The Bank's trading portfolios are currently composed of peso and dollar-denominated sovereign debt securities and foreign exchange position that are marked-to-market daily.

The Bank uses VaR to measure the extent of market risk exposure arising from these portfolios. VaR is a statistical measure that calculates the maximum potential loss from a portfolio over a holding period, within a given confidence level. The Bank's current VaR model is based on a historical simulation methodology with a one-day holding period and a 99% confidence level.

The Bank also performs back testing to validate the VaR model, and stress testing to determine the impact of extreme market movements on the Bank's portfolios. It has established position limits for its trading portfolios and closely monitors its daily profit and loss against loss triggers and stop-loss limits.

It is the Bank's policy to maintain exposures within approved position, stop loss, loss trigger, VaR limits and to remain within regulatory guidelines as applicable.

Structural Interest Rate Risk

The interest rate sensitivity gap report measures interest rate risk by identifying gaps between repricing assets and liabilities. The Bank's sensitivity gap model calculates the effect of possible rate movements on its interest rate profile.

The Bank uses the sensitivity gap model to estimate its Earnings-At-Risk ("EAR") should interest rates move against the Bank's interest rate profile. The Bank's EAR limits are based on a percentage of the Bank's projected earnings or capital for the year, whichever is lower. The Bank also performs stress-testing analysis to measure the impact of various scenarios based on interest rate volatility and shift in the yield curve.

The Bank also employs the Delta Economic Value of Equity ("EVE") model to measure the overall change in the economic value of the Bank at one point. It reflects the changes in the net present value of its banking book at different interest rate shocks and stress scenarios. Delta EVE is calculated by slotting the notional repricing cash flows arising from rate-sensitive assets and liabilities into pre-defined tenor buckets. The present value of the net repricing cash flows is then calculated using various interest rate scenarios prescribed by Basel, as well as scenarios internally developed by the Bank.

The ALCO is responsible for managing PSBank's structural interest rate exposure. Its goal is to achieve a desired overall interest rate profile while remaining flexible to interest rate movements and changes in economic conditions. RMO and ROC review and oversee its interest rate risks.

Liquidity Risk

In managing its liquidity position, the Bank ensures that it has more than adequate funds to meet its maturing obligations. The Bank uses the Maximum Cumulative Outflow (“MCO”) Model to measure liquidity risk arising from the mismatches of its assets and liabilities. It also manages the LCR and Net Stable Funding Ratio (“NSFR”) on a daily basis to ensure compliance with the required regulatory ratios.

The Bank administers stress testing to assess its funding needs and strategies under different conditions. Stress testing enables the Bank to gauge its capacity to withstand both temporary and long-term liquidity disruptions.

The Liquidity Contingency Funding Plan (“LCFP”) helps the Bank anticipate how to manage a liquidity crisis under various stress scenarios.

ALCO is responsible for managing the liquidity of the Bank while ROC and BOD review and oversee the Bank’s overall liquidity risk management.

The tables below set forth the Bank’s structural liquidity gap position as of March 31, 2025 (the maturity profile of financial instruments and gross-settled derivatives based on contractual undiscounted cash flows). 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.

Performing Financial Assets and Financial Liabilities – Peso and Foreign Regular Accounts (amounts in ₱ millions)

Performing Financial Assets and Financial Liabilities – Peso and Foreign Regular Accounts (amounts in ₱ millions)								
Maturity	Up to one month	Over one month to three months	Over three months to 12 months	Over one year to three years	Over three years to five years	Over five years to 15 years	Over 15 years	Total
Asset Accounts								
Due from BSP	2,561	-	-	-	-	-	-	2,561
Due from Other Banks	720	-	-	-	-	-	-	720
Financial Assets Held for Trading (excluding equity securities)	152	-	-	-	-	-	-	152
(a) Held For Trading Securities	152	-	-	-	-	-	-	152
(i) National Government Securities	152	-	-	-	-	-	-	152
(ii) Other Securities	-	-	-	-	-	-	-	-
(b) Derivatives with Positive Fair Value	-	-	-	-	-	-	-	-
Financial Assets Designated at Fair Value through Profit or Loss (excluding equity securities)	-	-	-	-	-	-	-	-
(a) National Government Securities	-	-	-	-	-	-	-	-
(b) Other Securities	-	-	-	-	-	-	-	-
Available-for-Sale Financial Assets (excluding equity securities)	50	1,036	182	931	12,633	2,916	-	17,747
(a) National Government Securities	50	1,036	182	689	12,633	2,816	-	17,406
(b) Other Securities	-	-	-	242	-	99	-	341
Held-to-Maturity Financial Assets	-	71	1,988	7,103	3,762	5,605	-	18,528
(a) National Government Securities	-	-	1,737	7,103	3,762	5,605	-	18,206
(b) Other Securities	-	71	251	-	-	-	-	322

Performing Financial Assets and Financial Liabilities – Peso and Foreign Regular Accounts (amounts in ₱ millions)								
Maturity	Up to one month	Over one month to three months	Over three months to 12 months	Over one year to three years	Over three years to five years	Over five years to 15 years	Over 15 years	Total
Unquoted Debt Securities Classified as Loans	-	-	-	-	-	-	-	-
(a) National Government Securities	-	-	-	-	-	-	-	-
(b) Other Securities	-	-	-	-	-	-	-	-
Loans and Receivables	948	1,651	5,476	26,401	73,204	27,8796	11,163	146,740
Disclosure: Of which Interbank Loans Receivable	-	-	-	-	-	-	-	-
Loans and Receivables Under Repurchase Agreements and Securities Lending and Borrowing Transactions	6,000	-	-	-	-	-	-	6,000
Derivatives with Positive Fair Value Held for Hedging	-	-	-	-	-	-	-	-
Sales Contract Receivable	-	-	-	-	-	-	-	-
Accrued Interest Income from Financial Assets	1,853	-	-	-	-	-	-	1,853
Due from H.O. /Branches/ Agencies Abroad - (Philippine branch of a foreign bank)	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
Total Asset Accounts	12,283	2,758	7,645	34,435	89,598	36,417	11,163	194,300
Liability Accounts								
Financial Liabilities Held for Trading	-	-	-	-	-	-	-	-
Financial Liabilities Designated at Fair Value through Profit or Loss	-	-	-	-	-	-	-	-
Deposit Liabilities	130,405	6,238	2,223	8,891	9,212	233	-	157,202
Due to Other Banks	-	-	-	-	-	-	-	-
Bills Payable	-	-	-	-	-	-	-	-
Bonds Payable	-	-	-	-	-	-	-	-
Unsecured Subordinated Debt	-	-	-	-	-	-	-	-
Redeemable Preferred Shares	-	-	-	-	-	-	-	-
Financial Liabilities Associated with Transferred Assets	-	-	-	-	-	-	-	-

Performing Financial Assets and Financial Liabilities – Peso and Foreign Regular Accounts (amounts in ₱ millions)								
Maturity	Up to one month	Over one month to three months	Over three months to 12 months	Over one year to three years	Over three years to five years	Over five years to 15 years	Over 15 years	Total
Derivatives with Negative Fair Value Held for Hedging	-	-	-	-	-	-	-	-
Accrued Interest Expense on Financial Liabilities	218	-	-	-	-	-	-	218
Finance Lease Payment Payable	1,169	-	-	-	-	-	-	1,169
Due to H.O./Branches/Agencies Abroad - (Philippine branch of a foreign bank)	-	-	-	-	-	-	-	-
Others	4,402	-	-	-	-	-	-	4,402
Total Liability Accounts	136,194	6,238	2,223	8,891	9,212	233	-	162,991
Net	(123,912)	(3,480)	5,423	25,544	80,387	36,184	11,163	31,309

Source: PSBank

Performing Financial Assets and Financial Liabilities – FCDU / EFCDU (in US\$ millions)								
Maturity	Up to one month	Over one month to three months	Over three months to 12 months	Over one year to three years	Over three years to five years	Over five years to 15 years	Over 15 years	Total
Asset Accounts								
Due from BSP	-	-	-	-	-	-	-	-
Due from Other Banks	10	-	-	-	-	-	-	10
Financial Assets Held for Trading (excluding equity securities)	-	-	-	-	-	-	-	-
(a) Held For Trading Securities	-	-	-	-	-	-	-	-
(i) National Government Securities	-	-	-	-	-	-	-	-
(ii) Other Securities	-	-	-	-	-	-	-	-
(b) Derivatives with Positive Fair Value	-	-	-	-	-	-	-	-
Financial Assets Designated at Fair Value through Profit or Loss (excluding equity securities)	-	-	-	-	-	-	-	-
(a) National Government Securities	-	-	-	-	-	-	-	-
(b) Other Securities	-	-	-	-	-	-	-	-
Available-for-Sale Financial Assets (excluding equity securities)	-	-	-	-	-	15	-	15
(a) National Government Securities	-	-	-	-	-	15	-	15
(b) Other Securities	-	-	-	-	-	-	-	-

Performing Financial Assets and Financial Liabilities – FCDU / EFCDU (in US\$ millions)								
Maturity	Up to one month	Over one month to three months	Over three months to 12 months	Over one year to three years	Over three years to five years	Over five years to 15 years	Over 15 years	Total
Held-to-Maturity Financial Assets	-	-	9	5	76	103	-	193
(a) National Government Securities	-	-	-	5	76	103	-	184
(b) Other Securities	-	-	9	-	-	-	-	9
Unquoted Debt Securities Classified as Loans	-	-	-	-	-	-	-	-
(a) National Government Securities	-	-	-	-	-	-	-	-
(b) Other Securities	-	-	-	-	-	-	-	-
Loans and Receivables	-	-	-	-	-	-	-	-
Disclosure: Of which Interbank Loans Receivable	-	-	-	-	-	-	-	-
Loans and Receivables Under Repurchase Agreements and Securities Lending and Borrowing Transactions	-	-	-	-	-	-	-	-
Derivatives with Positive Fair Value Held for Hedging	-	-	-	-	-	-	-	-
Sales Contract Receivable	-	-	-	-	-	-	-	-
Accrued Interest Income from Financial Assets	2	-	-	-	-	-	-	2
Due from H.O. /Branches/ Agencies Abroad - (Philippine branch of a foreign bank)	-	-	-	-	-	-	-	-
Others								
Total Asset Accounts	12	-	9	5	76	118	-	220
Liability Accounts								
Financial Liabilities Held for Trading	-	-	-	-	-	-	-	-
Financial Liabilities Designated at Fair Value through Profit or Loss	-	-	-	-	-	-	-	-
Deposit Liabilities	161	51	6	-	-	-	-	218
Due to Other Banks	-	-	-	-	-	-	-	-
Bills Payable	-	-	-	-	-	-	-	-
Bonds Payable	-	-	-	-	-	-	-	-

Performing Financial Assets and Financial Liabilities – FCDU / EFCDU (in US\$ millions)								
Maturity	Up to one month	Over one month to three months	Over three months to 12 months	Over one year to three years	Over three years to five years	Over five years to 15 years	Over 15 years	Total
Unsecured Subordinated Debt	-	-	-	-	-	-	-	-
Redeemable Preferred Shares	-	-	-	-	-	-	-	-
Financial Liabilities Associated with Transferred Assets	-	-	-	-	-	-	-	-
Derivatives with Negative Fair Value Held for Hedging	-	-	-	-	-	-	-	-
Accrued Interest Expense on Financial Liabilities	1	-	-	-	-	-	-	1
Finance Lease Payment Payable	-	-	-	-	-	-	-	-
Due to H.O./Branches/Agencies Abroad - (Philippine branch of a foreign bank)	-	-	-	-	-	-	-	-
Others	2	-	-	-	-	-	-	2
Total Liability Accounts	163	51	6	0	-	-	-	220
Net	(151)	(51)	3	5	76	118	-	0

Source: PSBank

Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. To mitigate these, the Bank constantly strives to maintain a strong “control culture,” prudent use of technology and effective internal control system, which are key factors towards continuous self-improvement under a “no-surprise” operating environment.

The Bank’s Board-approved bankwide organizational chart clearly establishes areas of management responsibility, accountability and reporting lines for all its senior officers. Operational risk management policies and frameworks are continuously reviewed and updated, subject to ROC and Board approvals to ensure that they remain relevant and effective.

The Bank’s products and operating manuals, policies and procedures spell out internal controls implemented by its business and operating support units. Its Internal Audit Group (“**IAG**”) provides independent reasonable assurance on control adequacy and compliance with these manuals. The Bank continually identifies and assesses operational risks across the organization and develops controls to mitigate and manage them as part of continuing efforts to enhance its Operational Risk Management Framework. We perform this vis-a-vis the Board-approved operational loss thresholds and benchmarks.

To ensure that the Bank manages all operational risks adequately, specialized functions are engaged in risk management. These include Information Technology and Quality Assurance, Information Security, Financial Control, Legal, Compliance, Human Resources and Security Command. IAG regularly reports to the Board’s Audit Committee on the effectiveness of internal controls.

The Bank likewise has a Business Continuity Plan and a Disaster Recovery Program that are reviewed and tested annually on a per segment and bankwide basis to ensure their effectiveness in case of business disruptions, system failures and disasters.

Technology Risk

Technology risk is the risk to earnings or capital arising from deficiencies in systems design, implementation, maintenance of systems or equipment and the failure to establish adequate security measures, contingency plans, testing and auditing standards.

To provide simpler, faster, more convenient and secured banking services to its growing clientele and to avail of an advanced management information system that enables the Bank to make fast and well-informed business decisions, it continually invests in Information Technology by venturing into core business process automations, key system enhancements, and information security solutions.

Given this heavily automated operating environment, the Bank makes sure that it continuously identifies and quantifies risks to the greatest extent possible and establishes standards and controls to manage technology-associated risks through effective planning, proper implementation, periodic measurement and monitoring of performance.

Legal Risk

Legal risk is the potential loss due to nonexistent, incomplete, incorrect, and/or unenforceable documentation that the Bank uses to protect and enforce its rights under contracts and obligations.

A legal review process, which its Legal Services Division performs, is the primary control mechanism for this type of risk to ensure that the Bank's contracts and documentation adequately protects its interests and complies with applicable legal and regulatory requirements.

Regulatory Risk

Regulatory Risk, also known as Compliance Risk, covers the potential loss from non-compliance with laws, rules and regulations, policies and procedures, and ethical standards.

The Bank recognizes that compliance risk can diminish its reputation, reduce its franchise value, limit its business opportunities, and reduce its potential for expansion. Thus, the Bank, guided by its Compliance Office, continuously promotes a culture of compliance.

Strategic Risk

Strategic risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper resolution of conflicts, and slow response to industry changes.

Strategic risk can influence the Bank's long-term goals, business strategies, and resources. Thus, the Bank utilizes both tangible and intangible resources to carry out its business strategies. These include communication channels, operating systems, delivery networks, and managerial capacities and capabilities.

Reputational Risk

Reputational risk is the current and prospective impact on earnings or capital arising from negative public opinion. This affects the Bank's ability to establish new relationships or services, or manage existing relationships. The risk may expose the Bank to litigation, financial loss, or a decline in customer base.

The Bank has in place Board-approved compliance and risk management policies to effectively manage the reputational risk. The Bank follows the Reputational Risk Management Framework which includes identification and assessment of risks, control and mitigation, monitoring and reporting, communications and disclosure, and crisis preparedness and resolution.

All employees are responsible for building the Bank's reputation and exercising an abundance of caution when dealing with customers and communities.

Recent Fraud Cases or Money Laundering Cases

There have been no significant fraud nor any known money laundering cases recently encountered.

Research and Development

The Bank utilizes various consumer research studies to develop new or enhance existing products and marketing programs. It maximizes the use of customer surveys to measure customer satisfaction drivers such as speed in

processing, complaint handling and problem resolution, and as a feedback mechanism, to improve customer service. The Bank also supports heavily its products and service delivery with relevant technology applications.

Involvement in Certain Legal Proceedings

Several suits and claims relating to the Bank's banking and lending operations and labor-related cases remain unsettled. In the opinion of the management, these suits and claims, if decided adversely, will not involve sums having material effect on the financial statements.

Corporate Governance

The Bank has a strong commitment to excellence in corporate governance. The Bank continually strives for high standards and pursues new approaches that ensure greater transparency and integrity in what it does. Our Corporate Governance Manual ("**CGM**") serves as a valuable guide and reference in our implementation of corporate governance rules and regulations, and standards of both the BSP and the SEC. Our CGM is reviewed on an annual basis and was last updated in September 2024 to incorporate the role and function of the Bank's Lead Independent Director ("**LID**") as duly appointed by the Board of Directors in its Resolution No. 2024-059 dated May 23, 2024 pursuant to the SEC's Code of Corporate Governance for Publicly-Listed Companies in line with the standards of good practices under the ASEAN Corporate Governance Scorecard ("**ACGS**") and the BSP's Manual of Regulations for Banks ("**MORB**"), include in the Board of Directors' duties and responsibilities its oversight function of ensuring the full disclosure of all minimum information required in the Bank's quarterly Balance Sheet ("**BS**") and Annual Report ("**AR**") pursuant to BSP Circular No. 1186 dated December 21, 2023 re: Amendments to the Guidelines on Disclosures to the Public and include the SEC-required uploading in the Bank's corporate website of the Minutes of the Annual Stockholders' Meeting ("**ASM**") and, if any, Special Stockholder's Meeting ("**SSM**") including their drafts within the prescribed deadline pursuant to SEC Memorandum Circular No. 11 s2024 re: Minutes of the Meeting of Stockholders.

Governance culture

The Bank sees its compliance with applicable laws, rules and regulations as a minimum requirement. Going beyond such minimum is the true essence of good corporate governance. The Bank always aims to continually build the trust and confidence of its stakeholders by running its business in a prudent and sound manner, being fair and transparent in all its dealings, providing reliable and better service in response to the ever-growing expectations of its customers, and working with integrity and accountability.

Core governance policies

The policies and guidelines embodied in the Bank's annually updated Corporate Governance Manual, as posted in its website, www.psbank.com.ph, and in its intranet site, InfoChannel (now iCentral), for the guidance of all its stakeholders, primarily revolve around the following three basic values that the Bank observes.

Fairness

We see to it that we conduct fair dealings with counterparties and other stakeholders. We ensure that such dealings, especially with our related parties, are made in the regular course of our business, and upon mutually favorable terms. Our Board-level Related Party Transactions Committee ("**RPTC**"), entirely composed of Non-Executive Directors, and Management-level Related Party Transactions Management Committee ("**RPTMC**"), help ensure that our transactions with related parties are conducted at arm's length terms and conditions, and that our resources are not misappropriated.

These are in accordance with our Board-approved Related Party Transactions ("**RPT**") policy and its specific guidelines and handling procedures vis-à-vis set transaction materiality thresholds and exposure limits. Our RPT policy is regularly reviewed and updated on an annual basis. It was last updated in November 2024 to include the relatives up to the 2nd degree by consanguinity and affinity of the Bank's officers from asset sales units as part of "Other Related-Individuals" as they may pose potential conflict of interest, re-align with parent-Metrobank's updated RPT Policy and articulate on some other items for clarity, among other updates/changes.

Our transaction materiality thresholds for RPTs were set on a per transaction type basis, taking into account the high end of their historical ticket sizes, their nature, and our risk appetite. These thresholds are applied on a per single transaction basis for one-time or non-recurring transactions, or the aggregate amount of multiple transactions expected in a year for some arrangements with recurring/continuing transactions. Except for loan transactions to DOSRI, as well as to subsidiaries and affiliates requiring prior approval of the Board of Directors under existing BSP rules regardless of their amounts, RPTs with amounts within these thresholds are subject to the review and approval of the Management-level RPTMC and endorsement of the Board-level RPTC for the Board of Directors' confirmation. On the other hand, those beyond such thresholds are considered "material" and shall pass through the Board-level RPTC for review and endorsement for Board approval prior to their consummation and for stockholders' confirmation in the Annual Stockholders' Meeting.

PSBank Note: Final Note Number indicated above to be finalized upon receiving approved AFS

Our RPT policy likewise requires our Directors and officers with personal interest in our transaction (e.g., they themselves or any of their close family members act as our counterparty) to inhibit or abstain from the discussion, approval, and management of such a transaction, except to provide material information to the RPTC or Board about the transaction. Provisions against conflict of interest situations are also stipulated in our Board approved "Code of Conduct" such as the prohibition of self-dealing transactions. Pursuant to Memorandum Circular No. 10 s2019 of the SEC, or the "Rules on Material Related Party Transactions for Publicly-Listed Companies," the Bank also adopted since August 2019 a Board-approved Material Related Party Transactions ("MRPT") policy that exclusively applies to related party transaction(s) amounting to at least 10% of its Total Assets based on its latest Audited Financial Statement ("AFS"), either individually or in aggregate over a 12-month period with the same related party. Save for a few differences in terms of scope, approval, reportorial and disclosure requirements, this separate policy espouses the same key principles in handling related party transactions and is likewise posted in our corporate website and intranet site.

We also ensure that our stockholders are treated equally and without discrimination by preserving stockholders' rights and protecting our minority stockholders' interests, including the latter's right to nominate candidates to our Board of Directors.

Integrity and Accountability

We uphold at all times the value of honesty as the best policy. We believe that our reputation precedes us in the business of trust and confidence. We continue to enhance a working culture of integrity, guided by a Code of Conduct that defines the standards that we must follow in our business dealings and relationships.

Code of Conduct

The Code of Conduct is our guide in defining the norms, rules, and responsibilities of each and every PSBanker. It includes provisions on:

Disciplinary process;

- General policies to establish a professional working environment and secure a favorable reputation for the Bank;
- Corrective measures for unacceptable behavior or failure to comply with our rules, such as on Financial Consumer Protection, Anti-Money Laundering/Terrorism Financing, and Data Privacy, and our other policies and procedures;

Schedule of penalties for attendance and punctuality, required corporate attire, conduct and behavior, dishonesty, health, safety, and security, reporting of violations, information security, and data privacy, among others; and,

Provisions on management of personal finances, conflict of interest, anti-bribery and corruption, anti-sexual harassment, non-disclosure of information, and insider information.

Insider Trading

Under our Policy Against Insider Trading, reporting insiders are required to disclose their and their associates' initial beneficial ownership in PSBank shares and any changes thereof on the next trading day after their election/appointment and from the date of changes thereof, respectively. They are likewise prohibited from selling or buying PSBank shares during "blackout periods," i.e., upon obtaining material non-public information up to two trading days after such information is disclosed.

Whistle-blowing

PSBank's whistleblowing policy requires our employees to report immediately any impropriety or malpractice committed by co-employee/s or third party/ies to their group heads or directly to the Group Head of Internal Audit, Fraud Management, or Human Resources, for evaluation if it would warrant an investigation. Under the Code of Conduct, concealment or non-reporting is considered an impropriety or malpractice in itself. The whistleblower is protected from any form of harassment as a result of any disclosure which was made in good faith believing the disclosure to be true and was not made maliciously or for personal gain. The policy considers any attempt to determine the whistleblower's identity as a breach of confidentiality which is subject to disciplinary sanctions.

The Bank has whistleblowing hotlines such as iag-expose@psbank.com.ph and fire@psbank.com.ph which can only be accessed by the Internal Audit Group Head and by the Fraud Management Group Head, respectively.

Anti-Money Laundering/Combating Financing of Terrorism (AML/CFT)

PSBank subscribes to and adopts the State's policy to protect the integrity and confidentiality of accounts and to ensure that it shall not be used as a money laundering/terrorism financing/proliferation financing site and/or conduit for the proceeds of unlawful activities; and life, liberty and property from acts of terrorism by condemning such acts and those who support and finance it as a crime against the Filipino people, against humanity and against the law of nations.

We ensure that we execute transactions with our customers in accordance with the AML/CFT policy guidelines, procedures, tools, and controls set forth in our regularly updated Money Laundering & Terrorism Financing Prevention Program ("**MTPP**").

1. Know Your Customer ("**KYC**")/Customer Due Diligence ("**CDD**") and Know Your Employee ("**KYE**");
2. Ongoing Monitoring of Customers and their Transactions;
3. Covered and Suspicious Transactions Reporting;
4. Records Keeping and Retention;
5. Employee Training and Continuing Education; and
6. Compliance with Freeze Orders, KYC Requests, Bank Inquiries, Targeted Financial Sanctions and other AML/CFT rules and regulations of the AMLC and the BSP.

Our MTPP was last updated in October 2024 to include the recent ML/TF-related regulatory issuances such as the AMLC's Advisory to Covered Persons on SEC's Suspended, Revoked and Delinquent List of Corporations and BSP Circular No. 1193 re: Guidelines and Criteria for Reporting Significant ML/TF/PF Risk Events to the BSP, incorporate the relevant CO AML advisories recently issued and effect other amendments including documentation and articulation of existing practices. Compliance with the requirements of this MTPP is continuously monitored by our Board-designated AML Compliance Officer ("**AMLCO**") as lead implementer under the Compliance Office.

Transparency and Open Communication

As a publicly listed company and a responsible financial institution, we abide by the various disclosure requirements of the BSP, the SEC, and the PSE. We ensure that we are transparent to our stakeholders by posting the latest public disclosures on the Investor Relations section of our website and in our press releases. In compliance with SEC Memorandum Circular No. 11 s. 2014, we regularly update our website to include all required disclosures in accordance with the SEC-prescribed web template for our stakeholders to readily check our corporate governance practices.

We also maintain an open communication line and use feedback from our stakeholders to develop better policies, products, and services. We likewise accommodate requests for information on the management of our Bank, stockholders' rights, or any other Bank-related matters, while remaining mindful of disclosure limitations under existing laws on the secrecy of bank deposits and data privacy.

Financial Consumer Protection

With customers at the forefront of our priorities and in compliance with BSP Circular No. 857, as amended by BSP Circular No. 1048 and BSP Circular No. 1160 re: "Regulations on Financial Consumer Protection to Implement Republic Act No. 11765, otherwise known as the Financial Products and Services Consumer Protection Act (FCPA)", our corporate governance system and culture includes a Financial Consumer Protection ("**FCP**") Framework to ensure that financial consumers' rights are protected at all times and that consumer protection laws, rules and regulations, standards and practices are duly observed and embedded in our business operations.

This framework comprises FCP Policies and Procedures, FCP Code of Conduct, Consumer Assistance Management System, FCP Training Program, FCP Risk Management System, FCP Compliance Program, FCP Audit Program, and Financial Consumer Education and Awareness Program. The framework revolves around the core principles of consumer protection, namely:

1. Disclosure and transparency;
2. Protection of client information;
3. Fair treatment;
4. Effective recourse;
5. Protection of consumer assets against fraud and misuse; and
6. Financial education and awareness.

This FCP Compliance Program was updated in November 2024 to incorporate BSP Memorandum No. M-2024-029 dated September 19, 2024 re: Reiteration of Guidelines on Risk Management Systems and Controls to Protect Financial Accounts in relation to Section 6 of R.A. No. 12010 otherwise known as the "Anti-Financial Account Scamming Act (AFASA)" which took effect on August 13, 2024 and BSP Memorandum No. M-2024-030 dated September 24, 2024 re: Reiteration of Protection of Consumer Assets and Misuse Provisions of BSP Circular No. 1160 in relation to Section 7 of R.A. No. 12010 otherwise known as the "Anti-Financial Account Scamming Act (AFASA)" which took effect on August 13, 2024, subject to the BSP's promulgation of its detailed implementing rules & regulations ("**IRRs**").

The Board of Directors, jointly with the Senior Management, is ultimately responsible in establishing an effective oversight over our consumer protection programs as well as in ensuring that consumer protection practices are embedded in our business operations.

As part of our corporate-wide risk management system spearheaded by our RMO, an FCP Risk Management System (“**FCPRMS**”) is instituted to identify, measure, monitor, and control consumer protection risks (both risks to the financial consumers and the Bank) inherent in our operations.

PSBank aims to differentiate itself from other banks by providing excellent customer experience. Being attentive and proactive to all customer feedback is one of the effective means of doing so. While positive feedback is welcome, we are more vigilant about negative feedback or complaints as they cover areas for improvement. For data analytics purposes, complaints received from clients are lodged in an automated tracking system to manage our defined turnaround time in resolving them and to serve as a database of all customer complaints, including the record of actions taken. This process is implemented in four steps, namely:

- (1) Acknowledgement
- (2) Decision/Disposition by designated senior officers
- (3) Investigation and communication of feedback to the customer concerned
- (4) Resolution of complaint

While all personnel are given access to the system for the reporting of customer complaints and feedback, the investigation and resolution are handled by the following:

- **Service Recovery Team (“SRT”)**: consists of the Consumer Assistance Management Department. The team is responsible for investigation, resolution, and documentation of all customer complaints and feedback received across all channels. The SRT also works with other departments, divisions, or groups in the implementation of interim and long-term resolution (e.g., process improvement efforts, policy revision, system enhancement, personnel training).
- **Designated Senior Officers**: consists of senior officers or group heads tasked to provide decision/disposition to the customer complaint.
- **Emergency Recovery Team (“ERT”)**: All complaints/feedback that are qualified under fraud or those that may be classified as high risk are immediately escalated to the ERT which consists of the executive vice President (“**EVP**”), the customer experience and human resource group (“**CXHRG**”) head, information technology group (“**ITG**”) head, branch banking group (“**BBG**”) head, and marketing group (“**MG**”) head. Issues requiring PR solutions or those with media impact are also submitted to the PR and corporate communications head.
- **Process Owner Representative**: respondents to the complaint. They can also be subject matter experts who may provide valuable inputs in the immediate resolution of the complaint.
- **FCPA Roundtable**: a top-level advisory and action group led by a Senior Officer who acts as a coach. The FCPA roundtable’s primary objective is to create a venue for discussion of customer issues, develop and recommend actions that will lead to continuous structural improvements.

At the end of each day, all customer issues received are reported to a pool of senior officers, including the President and the executive vice President. The consolidated report is likewise submitted to the RMO on a monthly basis as part of the Key Risk Indicator (“**KRI**”) reports.

Each valid complaint arising from a service/process lapse shall have a corresponding one demerit point against the responsible personnel’s performance rating.

CUSTOMER INTERACTION: Aside from the branches, we offer other channels for customer interaction. The Customer Experience Operations Division handles loan and deposit inquiries, requests, and complaints coursed through Direct Banking, Call Banking, email, LiveChat, SMS, website, PSBank Online, PSBank Mobile and social media. All these channels are managed 24/7, except for Direct Banking which caters to walk-in clients.

Data Privacy

PSBank respects and values data privacy rights and makes sure that all personal data collected from its data subjects (i.e. employees, clients & customers, suppliers, etc.) are processed in adherence to the principles of transparency, legitimate purpose, proportionality, quality and security in compliance with Republic Act No. 10173 otherwise known as “The Data Privacy Act of 2012”, its Implementing Rules and Regulations and the related issuances of the National Privacy Commission (“**NPC**”). Our Board-approved Data Privacy Policy encapsulates the privacy and data protection protocols/security measures that need to be observed and carried out within the Bank for specific circumstances (i.e. from collection to destruction) directed towards the fulfilment and realization of the rights of our data subjects and protection of personal data against natural dangers such as accidental loss or destruction, and human dangers such as unlawful access, fraudulent misuse, unlawful destruction, alteration and contamination. It was updated in September 2024 to articulate on the criteria when establishing and using legitimate interest as the lawful basis of processing personal without requiring the data subject’s consent pursuant to NPC Circular No. 2023-07 dated December 13, 2023 re: “Guidelines on Legitimate Interest” and NPC Advisory No. 2024-02 dated August 12, 2024 re: “Basis for Relying on

Section 13(f) of the Data Privacy Act (“**DPA**”) in Processing Personal Data Instead of the Data Subject’s Consent”; incorporate the general data privacy guidelines in the Bank’s processing of personal data using CCTV cameras pursuant to NPC Circular No. 2024-02 dated August 9, 2024 re: Closed Circuit Television (“**CCTV**”) Systems; articulate Privacy-by-Design and Privacy-by-Default approach in the development, review and/or revision of policies, guidelines, projects and/or programs/systems of the Bank; include under the Bank’s physical security measures the prohibition of using of facsimile technology (fax machine) for transmitting documents containing personal per NPC Circular 2023-06 dated December 1, 2023 data; and articulate on the National Privacy Commission’s web-based/online registration platform Registration System (“**NPCRS**”) and its entailing requirements.

Board Oversight

Board of Directors. The Board of Directors sets the corporate governance tone in our organization by ensuring adherence to principles and standards. It is accountable to our stakeholders in running our Bank in a prudent and sound manner to ensure long-term sustainability and success. It is primarily responsible for developing, reviewing, and approving our strategic objectives annually and thereafter monitoring and overseeing the effective implementation with due consideration of our risk strategies, corporate governance and corporate values. It monitors management’s performance against set targets and makes sure that appropriate controls and systems of checks and balances are in place and operating effectively.

For the most part until September 2024 when one of our Independent Directors passed away, there were nine Directors in our Board, four of whom are Independent Directors, four are Non-Executive Directors, and one is an executive Director who is also the President of the Bank. They are all qualified business professionals with the required expertise and experience in directing our strategic path. Their selection was based on their qualifications (i.e., integrity/probity, physical/mental fitness, competence, relevant education/financial literacy/training, diligence and knowledge/experience) without discrimination against gender, age, and ethnic, political, religious, or cultural backgrounds, and therefore achieving diversity in the Board.

In accordance with the Bank’s By-Laws, Directors are elected by the vote of the holders of common stock of the Bank in accordance with Section 23 of the Revised Corporation Code of the Philippines and other pertinent applicable laws. Any stockholder may submit nominations for Directorial positions to the Corporate Governance Committee. The Committee then screens the qualifications of the nominees in accordance with screening policies and procedures, and parameters, including alignment with the Bank’s strategic directions by attaining an optimal mix of skills and talents and balanced Board membership.

In identifying potential candidates, the Bank may consult whatever resources it deems appropriate, including but not limited to, referrals from existing Directors and officers, recommendations from a third-party search firm or suggestions from stockholders or by checking on the external databases of the Institute of Corporate Directors (ICD) or other professional search firms. Only nominees whose names appear in the final list of candidates are considered for election as Directors at the annual meeting of the stockholders.

The Bank has consistently maintained Independent Directors who provide independent judgment, outside experience and objectivity. Of the nine (9)-seat Board, four (4) are independent directors. This is more than the required minimum number of independent directors. The Bank does not have any Non-Executive Director holding a total of more than five Board seats in publicly listed companies.

The Bank’s Board Chairman provides active leadership by ensuring that the Board and its various committees function effectively, including maintaining a relationship of trust among Board members. The Chairman also ensures that its Board follows a sound decision-making process.

Individual directors are tasked to observe the fit and proper rule. They are expected to conduct fair business dealings, avoid conflict of interest, and observe confidentiality. They must act honestly, judiciously and in good faith, and uphold the best interest of its Bank and its stakeholders. They must also devote time and attention to their duties and responsibilities and contribute to its Board’s decision-making process. They must exercise independent judgment and have a working knowledge of laws, rules and regulations applicable to the Bank.

All new members of the Board of Directors are furnished with a copy of their duties and responsibilities and are provided with a comprehensive training on corporate governance, as part of the BSP’s requirements in confirming elected bank directors. Together with the Bank’s principal officers, its directors attended in 2024 an annual refresher program on Corporate Governance via Zoom webinar pursuant to SEC Memorandum Circular No. 20 s2013 and as conducted by the Center for Global Best Practices (“**CGBP**”), a SEC-accredited training provider. Topics covered in said webinar are Best Leadership Practices for Fast and Effective Change Management, Executive Briefing on Governance Framework on Data Protection and Cyber-security, Updates on AMLA and The Next Level in ESG & Sustainability-Going Beyond Compliance and Reporting.

The Board has access to its Corporate Secretary who manages the flow of information to the Board prior to the meetings. The Office of the Corporate Secretary plays a significant role in supporting the Board in discharging its responsibilities as it administers, attends and prepares minutes of board meetings and ensures that notices required under the By-Laws

are given to all directors and stockholders. Regular Board meetings are also scheduled in advance which are normally set every third Thursday of the month. Directors typically attend Board meetings in person or face-to-face and are given the access/option also to attend virtually whenever necessary or as applicable. This is to provide flexibility and convenience to the members of the Board.

The Board also reviews and approves all policy manuals to ensure that regulatory changes and best practices are included. They have access to a permanent compilation of documents related to past Board activities. They can readily seek clarification from Senior Management should they have concerns about our Bank or any item submitted for their consideration.

Board and Board Committee Meetings. In 2024, the Bank's Board had 14 meetings, in addition to the ASM and organizational meeting. The Bank's Directors logged a 94% attendance rate.

Board Committees. A number of Board-level committees were created to aid the Board in its various tasks to ensure efficiency and provide greater focus. Four of these committees are in charge of governance oversight functions, as follows:

- The **Corporate Governance Committee** is tasked to assist the Board in fulfilling its duties and responsibilities and monitoring its adherence to the corporate governance principles and guidelines set forth in its Corporate Governance Manual, including the functions formerly assigned to the Nomination Committee and Compensation & Remuneration Committee which were both dissolved and integrated into this committee since 2017. It also oversees the development and effective implementation of the Bank's compliance system. The Committee is composed of three (3) Directors, all of whom are independent directors, including the committee chairperson. The Committee meets monthly and is supported by its Compliance Office ("CO").
- The **Risk Oversight Committee ("ROC")** is responsible for the development and oversight of the Bank's risk management program. The Committee is composed of three members of the Board of Directors. Two (2) or majority of its voting members are independent directors, including its Chairperson, who is neither the Chairman of the Board nor of any other Board-level committee. The ROC members possess a range of expertise and adequate knowledge of the Bank's risk exposures, which is needed to develop appropriate strategies for preventing or minimizing losses. The Committee meets monthly and is supported by the RMO.
- The **AML Oversight Committee** is tasked to assist the Board in fulfilling its oversight responsibility over the Bank's compliance management. It ensures that the Bank complies with the provisions of the AMLA, as amended, its Revised Implementing Rules and Regulations ("RIRRs"), the provisions of the Anti-Terrorism Act ("ATA"), the Anti-Financing of Terrorism Act ("AFTA"), the Strategic Trade Management Act ("STMA") and their IRRs; the regulatory issuances and orders of the AMLC and BSP AML regulations to the end that the Bank shall not be used as a vehicle to legitimize the proceeds of unlawful activity or to facilitate or finance terrorism. This committee is composed of three (3) Directors, of whom two are Non-Executive Directors, including the Chairperson and an Independent Director. The committee meets monthly and is supported by the CO.
- The **Audit Committee** is designated to provide independent oversight for the Bank's financial reporting process, system of internal control and risk management, internal and external audits, as well as fraud management functions, and monitoring of compliance with Bank policies, applicable laws, rules, regulations and Code of Conduct. It is composed of three (3) Non-Executive Directors, all of whom are independent, including the committee Chairperson, who is not the Chairman of the Board of Directors or of any other Board-level committee. These members have auditing, accounting or related financial management expertise or experience commensurate with the size, complexity of operations and risk profile of the Bank. The Committee meets monthly and as needed; and is supported by its IAG and the Fraud Management Group ("FMG").

Other Board-level committees are as follows:

- The **Executive Committee** is tasked, among others, to regularly review and approve credit proposals within its limits. It recommends additional conditions and requirements on loan applications. The Committee is composed of four (4) Directors which includes the President, and our Credit & Collections Group Head as the Bank's representative.
- The **Related Party Transactions Committee** is tasked to assist the Board in ensuring that transactions with related parties are reviewed, appropriate restrictions are followed, and corporate resources are judiciously used. The Committee is composed of three (3) Non-Executive Directors, two (2) or majority of whom are independent directors, including the committee Chairperson. The Committee meets monthly and is also supported by the CO.
- The **Trust Committee** is a special committee tasked to be primarily responsible for overseeing the fiduciary activities of the Bank. It is composed of five (5) members, namely: the President, Trust Officer, a Non-Executive Director, an Independent Director who is the committee chairperson, and an independent professional. The Committee meets quarterly and is supported by the Trust Division.

Senior Management Oversight

Senior Management. Our Senior Management team, headed by our President as the Chief Executive Officer (“CEO”), consists of a core group of senior officers who manage our day-to-day operations and business affairs. They exercise good governance by ensuring that line managers under their respective areas of responsibility execute their activities in a manner consistent with Board-approved policies and strategic directions. These should be aligned with applicable laws, rules and regulations, as well as standards of good practice.

Management Committees. To achieve efficiency and provide greater focus for our Senior Management in overseeing key areas of banking operations, we have various Management-level committees tasked as follows:

- The **Assets and Liabilities Committee (“ALCO”)** manages our assets and liabilities consistent with our liquidity, capital adequacy, growth, risk tolerance and appetite, and profitability goals.
- The **Credit Committee (“Crecom”)** regularly reviews and approves credit proposals within the authority and limits set by our Board.
- The **Anti-Money Laundering Compliance Committee (“AMLCC”)** is designated by the Board to receive, evaluate, and decide whether or not a Suspicious Transaction Report (“STR”) shall be filed with the Anti-Money Laundering Council Secretariat (“AMLCS”) for cases or incidents reported or elevated by various business or operating units of the Bank. It also provides support to our Compliance Office in terms of AML policy review/development, and in addressing AML deficiencies/adverse findings.
- The **Outsourcing Oversight Committee (“OOC”)** oversees the accreditation of service providers, performance monitoring, post-implementation reviews including materiality, environment and social risk assessment and contract renewals in accordance with our Board-approved risk-based Outsourcing Policy Guidelines pursuant to existing BSP rules and regulations on outsourcing.
- The **IT Steering Committee (“ITSC”)** monitors IT performance and institutes appropriate actions to ensure achievement of desired results. It is accountable for designing and implementing our Board-approved Information Technology Risk Management System (ITRMS).
- The **Emergency Committee (“EMCOM”)** manages and monitors the effective implementation of our Business Continuity Plan (BCP). It aims to provide our Bank with the capability to continue its critical functions and processes by identifying, assessing and managing emergency scenarios and other business interruptions.
- The **Policy Committee (“POLCOM”)** resolves policy-related issues that require escalation or cross-functional discussion.
- The **Personnel Committee (“PERCOM”)** assists our Senior Management in evaluating the performance and career advancement of our employees, deciding on employee offenses/administrative cases, and in maintaining personnel policies and procedures, including our Code of Conduct.
- The **Retirement Committee (“RETCOM”)** exclusively administers our Gratuity and Retirement Benefit Plan.
- The **Related Party Transactions Management Committee (“RPTMC”)** assists the Board-level RPTC and the Board of Directors in ensuring that transactions with related parties, with respect to those considered as “non-material” (i.e., within the set transaction materiality thresholds) are conducted at arm’s length/fair terms and conditions.
- The **Investment Committee (“INCOM”)** establishes investment guidelines and oversees the investment activities of the Bank. It monitors and reports the overall investment results and reviews compliance with investment objectives and guidelines.
- The **Occupational Safety and Health Committee (“OSHCOR”)** serves as the official planning and policy-making group of the Bank in all matters pertaining to safety and health pursuant to Rule 1040 of the DOLE’s Occupational Safety and Health (“OSH”) Standards.

Governance Vanguard

The Bank's risk management, and internal audit functions are the forerunners in our relentless drive to promote and uphold the noblest tenets and highest standards of good corporate governance across all its business operations.

Compliance

Ensuring the Bank's compliance with applicable laws, rules and regulations, as a minimum requirement, is a collective duty and team effort. It begins with its Board and Senior Management at the top and down the line to the various business and operating units in accordance with its Board- approved compliance system. The design and implementation of this program is administered and annually updated by the Compliance Office, led by the Chief Compliance Officer ("CCO") who directly reports to the Corporate Governance Committee and to the Board.

The Bank's Compliance Program adopts a three-pronged, risk-based approach to effectively manage its business risks and ensure compliance with pertinent banking laws, rules and regulations, codes of conduct, policies and standards of good practice. Its priority, focus and compliance testing frequency depends on the pre-assessed level of risk the business/operating units are inherently exposed relative to the number and magnitude or severity of pertinent requirements applicable to them. It was updated in October 2024 to enhance certain compliance processes, update Compliance Office's organizational structure and document certain existing compliance practices

This three-pronged strategy is structured to be operated by three key players namely:

1. The line units as the first line of defense being the business risk owners and managers;
2. CO as the second line of defense as the business risk overseers; and
3. IAG as the third line of defense as the independent assurance provider.

Aside from monitoring and controlling compliance risk, the CCO also tracks the Bank's adherence with its Corporate Governance Manual which is aligned with the SEC's Revised Code of Corporate Governance for Publicly Listed Companies, and embodies all CG-related rules and regulations of the BSP. Cases of non-compliance are required to be reported to the Board Chairman who ensures due process and determines appropriate sanctions. The Bank fully and continually complies with the requirements of said Corporate Governance Manual.

The Bank's Compliance Office continually strives to maintain its strong compliance culture amidst the ever-dynamic banking regulatory landscape. It proactively identifies, assesses, and addresses emerging compliance issues, vigorously promotes continuing education through formal/informal trainings, compliance awareness testing, compliance checking, and advisory service through a clear and open communication line; and fosters good corporate governance culture by benchmarking against industry best practices and standards.

Internal Audit

The IAG is established by the Board of Directors. Its responsibilities are defined by the Audit Committee (AuditCom) as part of its oversight function. The purpose of the internal audit function is to strengthen the Bank's ability to create, protect and sustain value by providing the Board and Management with independent, risk-based and objective assurance, advice, insight, and foresight.

IAG adheres to the Institute of Internal Auditors' Global Internal Audit Standards. IAG is headed by the Chief Audit Executive (CAE) who reports functionally to the Board through the AuditCom and administratively to the President. The CAE annually confirms to the Board the organizational independence of the internal audit activity and its conformance with the Standards.

IAG, with strict accountability for confidentiality and safeguarding records and information, is authorized to:

1. Have full, free, and unrestricted access to all Bank functions, records, properties, and personnel pertinent to carrying out any engagement;
2. Have direct and unrestricted access to Senior Management and the Board through the Audit Committee;
3. Allocate resources, set frequencies, select subjects, determine scopes of work, apply the required procedures and techniques, and issue communications to accomplish the internal audit function's objectives; and
4. Obtain assistance from the necessary Bank personnel and other specialized services from within or outside the Bank to complete internal audit services.

To maintain independence and objectivity, IAG remains free from interference by any element in the organization, including audit selection, scope, procedures, frequency, timing, or report content.

Governance Evaluation

Every first quarter of each year, the Bank's Board, individual Directors, their respective oversight committees, and all other Board-level committees, as well as the President and all Management-level committees, conduct annual self-rating exercises on their performance during the immediately preceding calendar year.

Using scorecards, this exercise aims to gauge their effectiveness and determines the areas of improvement vis-à-vis set performance standards that are consistent with the Bank's strategic objectives and business plans designed to continuously create value to all stakeholders. Items subject to rating are the pertinent standards, as well as their duties and responsibilities, under a 3-point rating scale, to wit: "3"-Meets Standards (MS), "2"-Needs Improvement (NI), and "1"-Not Observed (NO), with an enjoinder to provide suggestions on how to address the deficiencies/improve performance on items rated either "1" or "2".

The Bank's Corporate Governance Committee reviews the scorecard results, which are reported to the Bank's Board of Directors and, thereafter, regularly tracked in terms of the status of addressing the areas needing improvement. This annual performance rating exercises also include that of the Chairman of the Board, the Chief Risk Officer, the Chief Audit Executive, the Chief Compliance Officer, Directors/officers with multiple/interlocking positions and of the entire Bank.

Joint Venture

Sumisho Motor Finance Corporation

SMFC was incorporated in the Philippines on November 2009 and started commercial operations in March 2010. The primary purpose of the company is to lend to retail customers for their purchase of motorcycles in the Philippines.

Initially, SMFC is a joint venture between PSBank, PSBank Retirement Fund, Sumitomo Japan and Sumitomo Philippines. PSBank and Sumitomo Japan each own 40% of Sumisho while PSBank Retirement Fund and Sumitomo Philippines each own 10%.

Last August 9, 2017, the Bank signed a sale and purchase agreement to sell 2 million shares or 10% ownership in SMFC to GT Capital Holdings, Inc. The price of the transaction was based on a valuation report which was subjected to a third-party fairness opinion.

Management has assessed that the Bank continues to have joint control over SMFC together with GT Capital, Sumitomo Japan and Sumitomo Corporation of the Philippines ("**Sumitomo Group**"), as all investors are bound by all the terms and conditions of the original Joint Venture Agreement between the Bank and Sumitomo Group, where unanimous consent is required from all the parties for SMFC's relevant activities. Last December 6, 2017, Sumitomo Phil. sold its 10% stake in Sumisho to Sumitomo Japan.

As of March 2025, Sumisho has 25 branches including its head office. Its principal office is located at the 12th floor of PSBank Center.

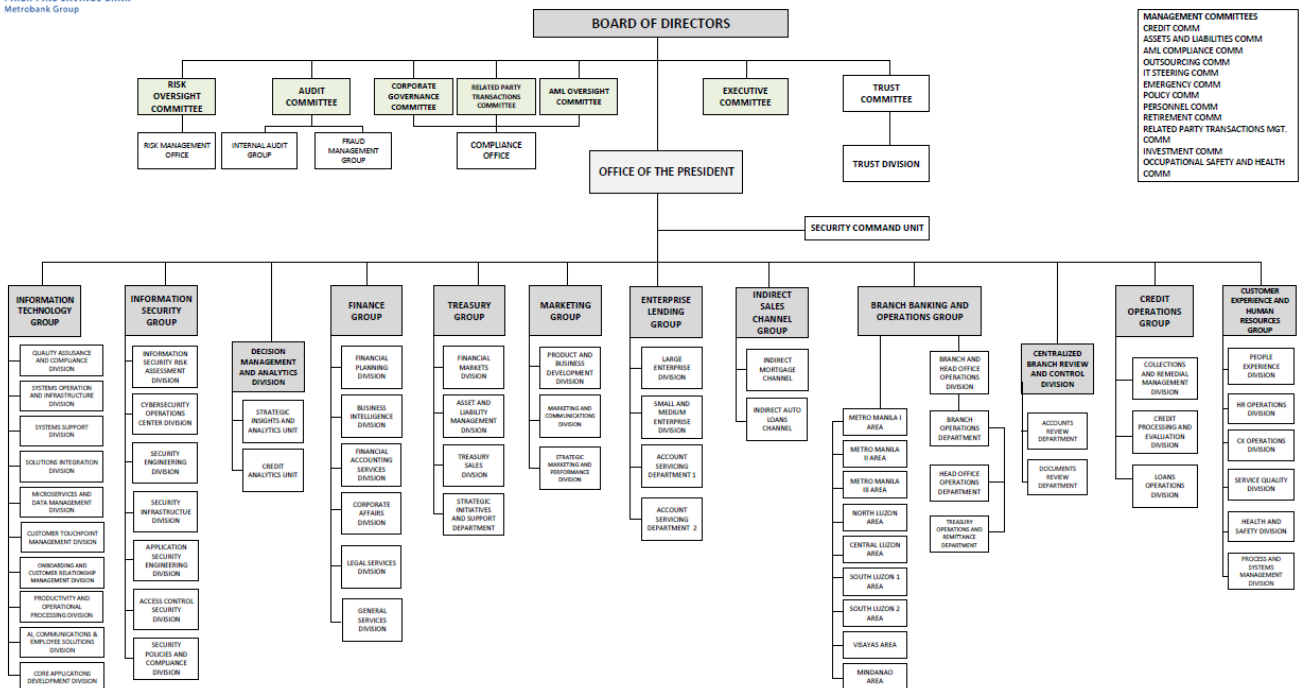
BOARD OF DIRECTORS, MANAGEMENT, EMPLOYEES, AND SHAREHOLDERS

Organizational Chart

The figure below shows the Bank's organizational chart as of March 2025.



ORGANIZATIONAL CHART OF PHILIPPINE SAVINGS BANK
Bankwide



This document was downloaded from www.psbank.com.ph.
Duplication or reproduction is allowed. Please do not modify its content.
Document Classification: PUBLIC

Endorsed by: MARY JANE M. VALERO (SGD) CXHRG Head	Approved by: JOSE VICENTE L. ALDE (SGD) President

Board of Directors

As of April 24, 2025, the following are the duly elected directors of PSBank:

Name	Position
Vicente R. Cuna, Jr.	Chairman
Arthur V. Ty	Vice Chairman
Jose Vicente L Alde	Director/ President
Cecilia C. Borromeo	Independent Director
Ferlou I. Evangelista	Director
Roland Luis S. Goseco	Independent Director
Frances Gail E. Male	Director
Rufino Luis T. Manotok	Independent Director
Eduardo A. Sahagun	Independent Director

VICENTE R. CUNA JR., Chairman

- Chairman since April 2023, Director since 2013
- Director, Metropolitan Bank and Trust Company
- Senior Executive Vice President, Metropolitan Bank and Trust Company* – Enterprise Services Sector
- A.B Economics, De La Salle University

ARTHUR V. TY, Vice Chairman

- Vice Chairman since 2001
- Chairman, Metropolitan Bank and Trust Company*, Metropolitan Bank (China) Ltd., GT Foundation Inc., and Metrobank Foundation, Inc.
- Director, GT Capital Holdings, Inc.
- Adviser, Philippine AXA Life Insurance Corporation
- BS Economics, University of California - Los Angeles
- MBA, Columbia University

JOSE VICENTE L. ALDE, Director and President

- President since April 2018, Director since 2016
- Chairman, Sumisho Motor Finance Corporation
- Director, Metropolitan Bank and Trust Company*
- Trustee, Chamber of Thrift Banks
- Bachelor of Computer Science, Graduated Cum Laude, University of the Philippines, Diliman
- Master in Business Management, Asian Institute of Management

CECILIA BORROMEIO, Independent Director

- Independent Director since January 2025
- Director and Chairperson, Upgrade Energy and Philippines, Inc. since February 2025
- Independent Director, Atlantic Gulf & Pacific Company of Manila since 2024
- Independent Director, Philippine Life Financial Assurance Corporation since 2024
- Independent Director, Cosco Capital, Inc.* since 2023
- BS Agribusiness, University of the Philippines
- Pacific Rim Bankers Program, University of Washington Executive Education Foster School of Business
- International Study on Rural Banking and Finance, Massey University
- Advance Bank Management Program, Asian Institute of Management

FERLOU I. EVANGELISTA, Independent Director

- Director since April 2024
- Consultant / Lecturer, Metropolitan Bank and Trust Company*
- Bachelor of Science in Commerce, San Beda University

-
- Certified Public Accountant

ROLAND LUIS S. GOSECO, Independent Director

- Independent Director since September 2023
- Chairman, Guagua National Colleges
- Director, Automated Fare Payment Inc.
- President, South Luzon Thermal Energy, Inc. and ETM Philippines Holdings, Inc.
- Trustee, Finex Research and Development Foundation, Inc.
- Treasurer, Finex Academy
- Bachelor of Science, Philippine Military Academy
- Masters in Business Administration, Major in International Finance, University of Southern California
- Fellow in Finance, Netherlands Institute of Management - Maastricht

FRANCES GAIL E. MALE, Director

- Director since April 2024
- Head of Credit Cards, Personal Loans and Retail Digital Channel Group, Metropolitan Bank and Trust Company*
- Business Management, University of the Philippines – Cebu
- Master in Business Management, Asian Institute of Management

RUFINO LUIS T. MANOTOK, Independent Director

- Independent Director since April 2023
- Chairman, Manarsa Holdings Corporation
- Independent Director, Manila Medical Services, Inc. and Cebu Landmasters, Inc.
- Director, Manotok Bros., Inc.
- AB Economics, Ateneo de Manila University
- Master of Business Management, Asian Institute of Management
- Advanced Management Program, Harvard Business School

EDUARDO A. SAHAGUN, Independent Director

- Independent Director since April 2017
- Chairman, Edcommerce Corporation
- Director, Union Galvasteel Corporation, Phinma Property Holdings Corporation, T-O Insurance Brokers, Inc., Phinma Corporation, Song Lam Cement Joint Stock Company, Cagayan De Oro College, Inc., First Batangas Hotel Corporation
- Board of Trustees, Phinma Foundation Inc.
- President and CEO, Phinma Solar Energy Corporation, Union Galvasteel Corporation, Philcement Corporation and Union Insulated Panel Corporation
- BS Commerce, Major in Accounting, Holy Angel University
- Masters in Business Administration. Ateneo Graduate School of Business
- Masters in Management Science, Arthur D. Little Management Education Institute (now Hult International Business School) Boston, USA
- Senior Management Program, Senior Leadership Program, Managing Change Program, IMD, Switzerland

Executive Officers

The names, positions and educational attainment of the Bank's executive officers follow. The Executive Officers are appointed by the Board at the organizational meeting following the stockholders' meeting, each to hold office for a period of one year.

Name	Position
Jose Vicente L. Alde	President
Francis C. Llanera	Executive Vice President*
Dan Jose D. Duplito	Senior Vice President
Neil C. Estrellado	Senior Vice President
Edeza A. Que	Senior Vice President
Mary Jane M. Valero	Senior Vice President
Leah M. Zamora	Senior Vice President

JOSE VICENTE L. ALDE, President

President since April 2018. Director since 2016. The following business units report to him directly: Security Command Unit, Information Technology Group, Information Security Group, Decision Management and Analytics Division, Finance Group, Treasury Group, Marketing Group, Enterprise Lending Group, Indirect Sales Channel Group, Branch Banking and Operations Group, Centralized Branch Review and Control Division, Credit Operations Group, Customer Experience and Human Resources Group. Chairman, Sumisho Motor Finance Corporation. Trustee, Chamber of Thrift Banks. Director, Metropolitan Bank and Trust Company; First Metro Insurance and Reinsurance Brokers, Inc. (FMIRBI). **Education:** Bachelor of Computer Science, Cum Laude, University of the Philippines, Diliman. Master in Business Management, Asian Institute of Management.

FRANCIS C. LLANERA, Executive Vice President*

Joined December 2007. Head, Branch Banking & Operations Group. Member, Assets and Liabilities, Emergency, Personnel, Retirement, IT Steering, and Anti-Money Laundering Compliance Committees. Director, Sumisho Motor Finance Corp. and First Metro Insurance & Reinsurance Brokers Inc. Former Credit Card Collections Head, Union Bank of the Philippines. Formerly with American International Group's Credit Risk Management. **Education:** BS Commerce, University of Santo Tomas. MBA, Ateneo Graduate School of Business.

DAN JOSE D. DUPLITO, Senior Vice President

Joined March 2005. Chief Information Security Officer, Information Security Group. Member, Personnel Committee. 2013 ASEAN CISO of the Year Awardee. Former Consultant for Information Security, Web Development and Linux System Administration. Co-founder of BSP-recognized Information Security Officers Group (ISOG). Co-Organizer of ROOTCON Hacking Conference (ROOTCON.ORG). **Education:** BS Mechanical Engineering, University of the Philippines. Global Certifications: GIAC Strategic Planning, Policy, and Leadership (GSTRT); GIAC Security Leadership (GSLC); GIAC Continuous Monitoring Certification (GMON); GIAC Advisory Board.

NEIL C. ESTRELLADO, Senior Vice President

Joined March 2002. Head, Information Technology Group. Member, Outsourcing Oversight, IT Steering, Personnel, and Emergency Committees. Former Project Leader, Overseas Chinese Banking Corp. Ltd. Former Lead IT Analyst, Development Bank of Singapore. Former Project Manager, DBS Philippines. Former Systems Analyst, Bank of the Philippine Islands. **Education:** BS Mathematics, Ateneo de Manila University.

EDEZA A. QUE, Senior Vice President

Joined October 2005. Chief Risk and Sustainability Officer, Risk Management Office. Member, Assets and Liabilities, Anti-Money Laundering Compliance, Investment, Outsourcing Oversight, Personnel, and Related Party Transactions Committees. Director, Bankers Institute of the Philippines, Inc., until June 2024. Former Credit Risk Manager for Consumer Banking, Standard Chartered Bank. Former Risk Management Officer, American International Group Credit Card Co. **Education:** BS Statistics with Honors & MS Statistics, University of the Philippines.

MARY JANE M. VALERO, Senior Vice President

Joined August 2002. Head, Customer Experience and Human Resources Group Head. Chairperson, Occupational Safety and Health and Policy Committees. Secretary, Personnel Committee. Member, Outsourcing Oversight and Retirement Committees. Trustee, PSBank Condominium Corp. Assoc. Professor, University of Santo Tomas Graduate School. Founder, 4Ts Psychological Services. Former Front Office Manager, Mandarin Oriental Hotel Manila. Former Duty Manager, Westin Philippine Plaza. **Education:** BS Psychology and BA Guidance and Counseling, St. Scholastica's

College. MA in Industrial Psychology graduated Cum Laude, University of Santo Tomas. PhD in Clinical Psychology graduated Magna Cum Laude, University of Santo Tomas.

LEAH M. ZAMORA, Senior Vice President

Joined April 2010. Corporate Secretary. Controller and Finance Group Head. Member, Assets and Liabilities, IT Steering, Retirement, Outsourcing Oversight, and Related Party Transactions Committees. Former Vice President for Financial Planning and Analysis, GE Money Bank Philippines. **Education:** BS Accountancy, De La Salle University. Certified Public Accountant.

**Effective June 1, 2025*

Involvement in Certain Legal Proceedings of Directors and Executive Officers

None of the members of the Bank's Board nor its executive officers have been convicted in any criminal, bankruptcy or insolvency investigations or proceedings for the past five years and up to the date of this Offering Circular.

Number of Employees

PSBank's manpower complement is as follows:

	As of December 31, 2024	As of March 31, 2025
Top Executive	8	7
Senior Officers	51	49
Junior Officers	1,124	1,117
Rank and File	1,689	1,685
Total	2,872	2,858

The Bank continues to produce new officers for the branch through the Staff Professional Enhancement and Educational Development Accelerated Learning ("**SPEED AX-L**") and Redefining Institutional Sales Efficiency ("**RISE**") programs and for head office positions – through the various Ladderized Programs of the PSBank Business Campus based on the customized curriculum of the different business units.

The bank has had a good relationship with the PSBank Employees Union ("**PSBEU**") with whom a new Collective Bargaining Agreement has been signed last 2024 with higher incentives, allowances and subsidies, with annual salary increases of ₱ 2,000.00, ₱ 1,700.00 and ₱ 1,600.00, in 2025, 2026 and 2027, respectively.

Shareholders

The Bank's Top 10 shareholders as of March 31, 2025 are as follows:

	NAME OF STOCKHOLDERS	OUTSTANDING NUMBER OF SHARES	% OF SHARES
1	METROPOLITAN BANK & TRUST CO. (MBTC)	377,279,068	88.385%
2	DE LEON, MARIA SOLEDAD S.	26,982,249	6.321%
3	PCD NOMINEE CORPORATION (FILIPINO) 2	5,372,963	1.257%
4	DE LEON, GIAN CARLO SERRANO	3,054,440	0.716%
5	DE LEON, LEONARD FREDERICK SERRANO	2,895,061	0.678%
6	DE LEON, ALVIN BENJAMIN SERRANO	2,716,290	0.636%
7	DE LEON, KEVIN ANTHONY SERRANO	2,682,950	0.629%
8	PCD NOMINEE CORPORATION (NON-FILIPINO)	2,605,955	0.612%
9	GO, JAMES	334,723	0.078%
10	GRAND ASIA REALTY INVESTMENT CORPORATION	325,958	0.076%

Total number of stockholders as of March 31, 2025 is 1,429.

The Bank's principal shareholders are comprised of three major groups with Metrobank, owning 88.385% and De Leon Family owning 8.351%. Other minority shareholders hold the balance of 3.264%.

PHILIPPINE BANKING SECTOR

The following is a general discussion of the Philippine Banking Industry. It is based on the laws, regulations and administrative rulings in force as at the date of this Offering Circular and is subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. It does not purport to be a comprehensive description of all of the aspects of the industry that may be relevant to a decision to purchase, own or dispose of the Bonds. Prospective purchasers should consult their advisors as to the consequences of acquiring, holding and disposing of the Bonds.

Overview

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, Islamic banks, and digital banks.

According to BSP's report on the Physical Network of the Philippine Banking System, as at December 31, 2024, the commercial banking sector, comprising universal and commercial banks, consisted of 44 banks, of which 22 were universal banks and 22 were commercial banks. Of the 22 universal banks, 13 were private domestic banks, three (3) were government banks and six (6) were branches of foreign banks. Of the 22 commercial banks, two (2) were private domestic banks, two (2) 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 evidences of indebtedness, accept or create demand deposits, receive other types of deposits and deposit substitutes, buy and sell foreign exchange and gold and silver bullion, and 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 at December 31, 2024, there were 41 thrift banks (including microfinance-oriented banks), based on BSP's report on the Physical Network of the Philippine Banking System.

Rural banks are organized primarily to make credit available and readily accessible in the rural areas on reasonable terms. Loans and advances extended by rural banks are primarily for the purpose of meeting the normal credit needs of farmers and fishermen, as well as the normal credit needs of cooperatives and merchants. As at December 31, 2024, there were 383 rural and cooperative banks, based on BSP's report on the Physical Network of the Philippine Banking System.

Digital banks offer financial products and services that are processed end-to-end through a digital platform and/or electronic channels with no physical branch/sub-branch or branch-lite unit offering financial products and services. As at December 31, 2024, there were 6 digital banks, based on BSP's report on the Physical Network of the Philippine Banking 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 Al-Amanah Islamic Investment Bank of the Philippines ("AAIIB"). DBP was organized primarily to provide banking services catering to the medium-and long-term needs of agricultural and industrial enterprises, particularly in rural areas and preferably for 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 ruling

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 June 13, 2000 or until June 13, 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.

Under RA 10641 and BSP Circular No. 858, Series of 2014 dated November 21, 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 at December 31, 2024, there were 24 foreign banks with branches and two (2) foreign banks with subsidiaries in the Philippines, based on BSP's report on the Physical Network of the Philippine Banking System.

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 October 11, 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 at least 102 mergers, acquisitions, and consolidations of banks. However, while recent mergers increased market concentrations, BSP studies showed that they were not enough to pose a threat to the overall competition levels since market share remained relatively well dispersed among the remaining players.

Pursuant to the liberalization, and to the mergers and consolidation trend, the BSP issued BSP Circular No. 902, Series of 2016 dated February 15, 2016 to implement the phased lifting of the moratorium on the grant of new banking license 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 is lifted under a two-phased approach. Under Phase 1 of the liberalization, the grant of new universal/commercial banking license shall be allowed in connection with the upgrading of an existing domestic thrift bank. Under Phase 2, the moratorium on the establishment of new domestic banks was fully lifted and locational restrictions fully liberalized starting January 1, 2018.

In November 2020, BSP approved the framework for the creation and licensing of digital banks, as part of its efforts to extend financial services. Under the digital bank framework, digital banks will be subject to the same prudential requirements applicable to non-digital banks. At the same time, the Philippines is expected to attract more digital banking players, given its significant unbanked population of around 70%, which could be reached more easily by digital banks compared with traditional banks, and a relatively high national internet penetration rate of around 67%, based on the analysis of Fitch.

In December 2020, the BSP signed BSP Circular No. 1105, as further amended in September 2022 pursuant to BSP Circular No. 1154, which provided guidelines for establishing digital banks in the Philippines and subjecting digital banks to the prudential requirements set out by the BSP, including with respect to corporate governance and risk management.

In 2020, the Philippine banking system has remained largely stable amidst the COVID-19 pandemic according to the BSP. Despite banks' daily operations affected by community quarantine and social distancing, growth in deposits still remained firm, which is partially attributable to the consumer shift towards digital payments. Loan growth was sluggish during the first 7 months of 2020, driven by the decrease in loan balances to borrowers operating in economic sectors such as wholesale and retail trade, manufacturing, construction (which was partially offset by the increase in loans to real estate borrowers), information and communications and other sectors. Meanwhile, loan quality slightly weakened but was still manageable, with the NPL coverage ratio going up following the increase in allowance for credit losses. The liquidity and capital position of the banking system remained intact.

The following table sets out a comparison, based on publicly available data, of the five largest Philippine private domestic commercial banks in terms of assets as at December 31, 2024:

Name	Market Capitalisation ¹	Total Equity ² (in ₱ millions, except number of branches)	Total Assets ²	Loans and Receivables - net ²	Total Deposits ²	No. of Branches ³
BDO Unibank, Inc.	759,254	577,395	4,876,050	3,272,518	3,794,027	1,791 ⁴
Metropolitan Bank & Trust Co	323,814	396,405	3,520,355	1,816,010	2,573,878	960
Bank of the Philippine Islands	643,196	432,690	3,318,813	2,238,765	2,614,802	1,266
China Banking Corporation	170,900	168,580	1,646,093	915,230	1,331,147	650
Rizal Commercial Banking Corporation	60,125	158,491	1,360,153	742,497	1,022,794	453

Notes:

- (1) Market Capitalization as at December 31, 2024.
- (2) Financial data taken from each bank's respective audited financial statements (based on consolidated figures) as at December 31, 2024.
- (3) Number of branches was provided by each of the respective banks as at December 31, 2024.
- (4) Philippine branches.

According to the Senior Bank Loan Officers' Survey conducted by BSP for the fourth quarter of 2024, most bank respondents maintained their overall credit standards for lending to enterprises and consumers based on the modal approach. Meanwhile, the diffusion index ("DI") method indicated a net tightening of credit standards for business loans, while loan standards for households were reportedly unchanged. Survey results pointed to unchanged overall demand for enterprise loans, and generally unchanged loan demand from consumers. The DI approach showed a net increase in business loan demand from firms, though slightly lower than the previous quarter, and a lower net rise in consumer loan demand compared to the previous quarter. The DI approach also showed net tightening of credit standards for business loans in Q4 2024, due to the deterioration in borrowers' profiles and the profitability of the bank's portfolio. The DI-based method showed generally unchanged credit standards for consumer loans mainly due to the unchanged profile of borrowers, tolerance for risk, and the profitability of the bank's portfolio.

The BSP issued BSP Circular No. 839, Series of 2014 dated June 27, 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 REE. 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 CAR, on a solo and consolidated basis, under the prescribed write-off rate. For thrift banks, the prudential REST Limits which shall be complied with at all times are 6% 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 CAR for all thrift banks.

On October 29, 2014, the BSP issued Circular No. 854, Series of 2014, which increased the minimum capital requirement for all bank categories: universal, commercial, thrift, rural, and cooperative banks to strengthen the banking system. Below are the amended minimum capital requirements for banks.

Bank Category/Network Size	Previous Minimum Capitalization (₱)	Current 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**	

Bank Category/Network Size	Previous Minimum Capitalization (₱)	Current Minimum Capitalization (₱)
Other Areas	250 million**	
Head Office in the National Capital Region (NCR)		
Head Office only		500 million
Up to 10 branches*		750 million
11 to 50 branches*		1.00 billion
More than 50 branches*		2.00 billion
Head Office in All Other Areas Outside NCR		
Head Office only		200 million
Up to 10 branches*		300 million
11 to 50 branches*		400 million
More than 50 branches*		800 million
Rural and Cooperative Banks		
Head Office in:		
Metro Manila	100 million**	
Cebu and Davao cities	50 million**	
Other cities	25 million**	
1st to 4th class municipalities	10 million**	
5th to 6th class municipalities	5 million**	
Head Office in NCR		
Head Office only		50 million
Up to 10 branches*		75 million
11 to 50 branches*		100 million
More than 50 branches*		200 million
Head Office in All Other Areas Outside NCR (All Cities up to 3rd Class Municipalities)		
Head Office only		20 million
Up to 10 branches*		30 million
11 to 50 branches*		40 million
More than 50 branches*		80 million
Head Office in All Other Areas Outside NCR (4th to 6th Class Municipalities)		
Head Office only		10 million
Up to 10 branches*		15 million
11 to 50 branches*		20 million
More than 50 branches*		40 million

* Inclusive of Head Office

** With no distinction for network size

The amendment became effective in November 2014.

Restrictions on Branch Opening

Opening of branches by Philippine banks within or outside the Philippines requires BSP's prior approval, subject to certain conditions such as meeting the minimum capital requirements set by the BSP. Upon BSP's approval, these branches may be used by the banks as outlets for the presentation and/or sale of financial products of their allied undertakings or investment house units. For more information, see *"Banking Supervision and Regulation—Regulation Relating to Capital Structure"* and *"Banking Supervision and Regulation—Regulations with Respect to Branches."*

Competition

The Bank faces competition from both domestic and foreign banks, in part, as a result of the liberalization of the banking industry by the Government. Since 1994, a number of foreign banks, which have greater financial resources than the Bank, have been granted licenses to operate in the Philippines. Such foreign banks have generally focused their operations on the larger corporations and selected consumer finance products, such as credit cards. The foreign banks have not only increased competition in the corporate market, but have as a result caused more domestic banks to focus on the commercial middle-market, placing pressure on margins in both markets. On January 21, 2016, the Monetary Board approved the phased lifting of the moratorium on the grant of new banking license or establishment of new domestic banks. The moratorium on the establishment of new domestic banks and locational restrictions was lifted effective January 1, 2018.

Since September 1998, the BSP has been encouraging consolidation among banks in order to strengthen the Philippine

banking system. Mergers and consolidation result in greater competition, as a smaller group of “top tier” banks compete for business.

As at December 31, 2024, the ten largest commercial banks (including unlisted banks such as LBP and DBP) account for approximately 85% of total assets and 86% of total deposits of the Philippine banking system based on published statements of condition.

Certain factors arising from the 1997 Asian crisis and the 2008 global financial crisis also resulted in greater competition and exert downward pressure on margins. Banks instituted more restrictive lending policies as they focused on asset quality and reduction of their NPLs, which resulted in increasing liquidity. As Philippine economic growth further accelerates and banks apply such liquidity in the lending market, greater competition for corporate, commercial and consumer loans is expected. As at December 31, 2024, the ten largest commercial banks (including unlisted banks such as LBP and DBP) account for approximately 85% of the net customer loan portfolio of the Philippine banking system, based on published statements of condition.

The Philippine Competition Act was signed into law in 2015 and establishes competition related rules and procedures in the Philippines in relation to mergers and acquisitions. See *“Banking Supervision and Regulation—Philippine Competition Act.”*

Banks also compete with traditional and digital enabled remittance businesses and face competition from the emergence of FinTech, including businesses such as an all-digital bank set up by CIMB and ING Direct, businesses stemming from approved digital banking licenses provided to UNObank, OFBank, Tonik, Union Digital Bank, GOTyme and Maya Bank, 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 banks venture into micro-finance and other consumer financing products, they may also face competition from other consumer-focused players, including informal lenders.

Certain Government Policies and Regulations in relation to the Philippine Banking System

The Philippine banking industry is highly regulated by the BSP and operates within a framework that includes requirements on capital adequacy, corporate governance, management, anti-money laundering and provisioning for NPLs. The BSP can alter any of these requirements and can introduce new regulations to control any particular line of business. Please see *“Banking Supervision and Regulation”* for a more detailed discussion.

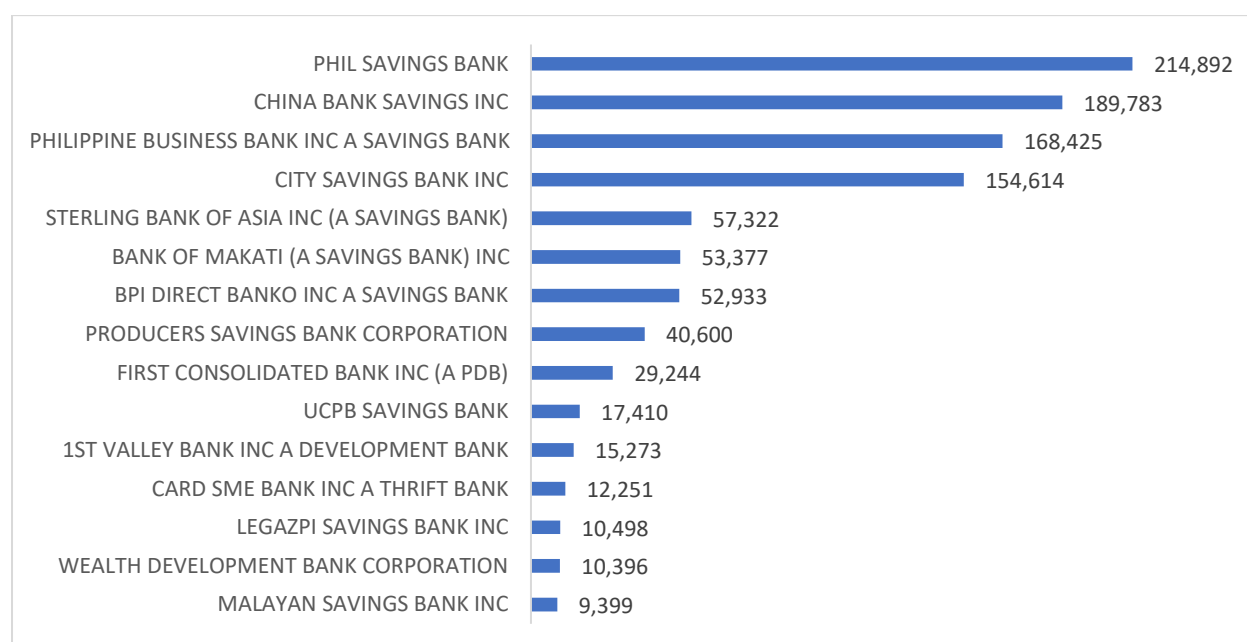
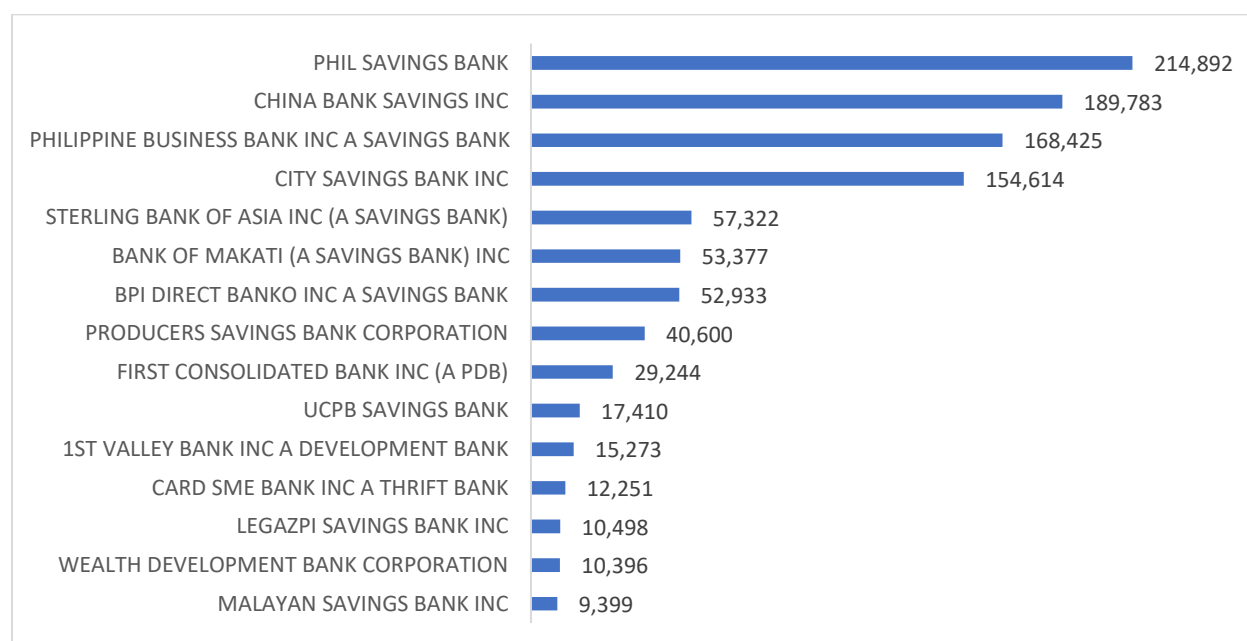
Philippine Thrift Banks

The Philippine thrift banking industry is dominated by PSBank, China Bank Savings, Inc. (**“China Bank Savings”**), Philippine Business Bank (**“PBB”**) and City Savings Bank, Inc. (**“City Savings”**) in terms of total assets. The table below shows the top four thrift banks in the Philippines as of December 31, 2024.

(₱ millions)	Total Assets*
Philippine Savings Bank	214,892
China Bank Savings	189,783
Philippine Business Bank	168,425
City Savings Bank	154,614

(*Amounts in Million Pesos. Source: BSP website)

The chart below shows the top 15 Thrift Banks in the Philippines by Total Assets as of December 31, 2024.



BANKING REGULATIONS AND SUPERVISION

The following is a general discussion of the Philippine Banking Regulation and Supervision. It is based on the laws, regulations, and administrative rulings in force as at the date of this Offering Circular and is subject to any changes in law occurring after such date, which changes can be made on a retroactive basis. It does not purport to be a comprehensive description of all of the laws, regulations, and administrative rulings of the Philippine banking industry.

General

RA No. 7653 (the New Central Bank Act of 1993) ("**New Central Bank Act**"), RA No. 8791 (the General Banking Law of 2000) ("**General Banking Law**") and RA No. 11211 (An Act Amending the New Central Bank Act) vest the BSP, which exercises its powers through the Monetary Board, with the 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, stock savings and loan associations, and private development banks), rural banks, co-operative banks as well as branches and agencies of foreign banks in the Philippines. Entities performing quasi-banking functions, trust companies, building and loan associations, non-stock savings and loan associations and other non-deposit accepting entities, while not considered banking institutions, are also subject to regulation by the Monetary Board.

The supervisory power of the BSP under the New Central Bank Act extends to the subsidiaries and affiliates of banks and quasi-banking institutions engaged in allied activities. A subsidiary is defined as a corporation with more than 50% of its voting stock owned by a bank or quasi-bank. An affiliate is defined as a corporation whose voting stock, to the extent of 50% or less is owned by a bank or quasi-bank or which is related or linked to such institution or intermediary through common stockholders or such other factors as determined by the Monetary Board. In this regard, the MORB defines an affiliate as an entity linked directly or indirectly to a bank by means of: (a) ownership, control (as defined under the relevant portion of the MORB), or power to vote, of at 20% of the outstanding voting stock of the entity, or vice-versa; (b) interlocking directorship or officership, where the concerned director or officer owns, controls (as defined under the relevant portion of the MORB), or has the power to vote of at least 20% of the outstanding voting stock of the entity; (c) common stockholders owning at least 10% of the outstanding voting stock of the bank and at least 20% of the outstanding voting stock of the entity; (d) management contract or any arrangement granting power to the bank to direct or cause the direction of management and policies of the entity; and (e) permanent proxy or voting trusts in favor of the bank constituting at least 20% of the outstanding voting stock of the entity, or vice-versa.

In the exercise of its power of supervision under the General Banking Law, the BSP may issue rules of conduct or standards of operation for uniform application, conduct examination to determine compliance with laws and regulations, oversee compliance with such rules and regulations and inquire into the solvency and liquidity of the covered entities. Section 7 of the General Banking Law provides that the BSP in examining a bank shall have the authority to examine an enterprise which is owned or majority-owned or controlled by a bank. Section 28 of the New Central Bank Act provides that there shall be an interval of at least 12 months between regular examinations. A vote of at least five (5) members of the Monetary Board may authorize a special examination.

As a general rule, no restraining order or injunction may be issued by a court to enjoin the BSP from exercising its powers to examine any institution subject to its supervision. The BSP may compel any officer, owner, agent, manager or officer-in-charge of an institution subject to its supervision or examination to present books, documents, papers or records necessary in its judgment to ascertain the facts relative to the true condition of the institution as well as the books and records of persons and entities relative to or in connection with the operations, activities or transactions of the institution under examination, to the extent permitted by law. The refusal of any officer, owner, agent, manager, director or officer-in-charge of an institution subject to the supervision or examination of the BSP to make a report or permit an examination is criminally punishable under Section 34 of the New Central Bank Act. In addition to the general laws such as the General Banking Law and the AMLA, as amended, among others, banks must likewise comply with letters, circulars and memoranda issued by the BSP some of which are contained in the MORB.

The MORB is the principal source of rules and regulations to be complied with and observed by banks in the Philippines. The MORB contains regulations that include those relating to the organization, management and administration, deposit and borrowing operations, loans, investments and special financing program, and trust and other fiduciary functions of the relevant bank. Supplementing the MORB are rules and regulations promulgated in various circulars, memoranda, letters and other directives issued by the Monetary Board.

The MORB and other regulations are principally implemented by the Financial Supervision Sector of the BSP ("**FSS**"). 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, their subsidiaries and affiliates, non-bank financial intermediaries, and subsidiaries and affiliates of non-bank financial intermediaries performing quasi-banking functions, non-bank financial intermediaries performing trust and other fiduciary activities under the General Banking Law, non-stock and savings loans associations under RA No. 3779 or the Savings and Loan Association Act, and pawnshops under PD 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% of the equity in a thrift bank, a rural bank or a financial allied enterprise. A publicly listed universal or commercial bank may own up to 100% of the voting stock of only one other universal or commercial bank. A universal bank may also own up to 100% of the equity in a non-financial allied enterprise.

In addition to those functions specifically authorized by the General Banking Law and the MORB, banking institutions in general (other than building and loan associations) are allowed to (i) receive in custody funds, documents and valuable objects, (ii) rent out safety deposit boxes, (iii) act as financial agents and buy and sell, by order of and for the account of their customers, shares, evidences of indebtedness and all types of securities, (iv) make collections and payments for the account of others and perform such other services for their customers 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 also allowed to a certain extent to invest in allied (both financial and non-financial) or non-allied undertakings (applicable only to universal banks), or both.

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 universal 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.

Regulation relating to capital structure

Pursuant to the General Banking Law, no entity may operate as a bank without the permit of the BSP through the Monetary Board. The Philippine SEC will not register the incorporation documents of any bank or any amendments thereto without a Certificate of Authority issued by the Monetary Board.

A bank can only issue par value stocks and it must comply with the minimum capital requirements prescribed by the Monetary Board. A bank cannot purchase or acquire its own capital stock or accept the same as security for a loan, except when authorized by the Monetary Board. Any stock so purchased or acquired must be sold within six months from the time of its purchase or acquisition.

Under the New Central Bank Act, transfers or acquisitions, or a series thereof, of at least 10% of the voting shares in banks or quasi-banks require the prior approval of the BSP within such period as may be prescribed by the Monetary Board.

On October 20, 2014, the Monetary Board decided to increase the minimum capital requirement for all bank categories including universal, commercial, thrift, rural and cooperative banks. This is in line with the BSP's efforts of further strengthening the banking system. Under this regulation, the minimum capital for universal and commercial banks will be tiered based on network size as indicated by the number of branches. In accordance with BSP Circular No. 854, universal banks are required to have capital accounts of at least ₱3 billion for head office only, ₱6 billion for head office with up to 10 branches (inclusive of head office), ₱15 billion for head office with 11 to 100 branches (inclusive of head office), and ₱20 billion for head office with more than 100 branches (inclusive of head office). Commercial banks are required to have capital accounts of at least ₱2 billion for head office only, ₱4 billion for head office with up to 10 branches (inclusive of head office), ₱10 billion for head office with 11 to 100 branches (inclusive of head office), and ₱15 billion for head office with more than 100 branches (inclusive of head office). Thrift banks with head office in Metro Manila are required to have capital accounts of at least ₱500 million for head office only, ₱750 million for head office with up to 10 branches (inclusive of head office), ₱1 billion for head office with 11 to 50 branches (inclusive of head office), and ₱2 billion for head office with more than 50 branches (inclusive of head office). In August 2022, the BSP issued BSP Circular No. 1151 wherein the BSP adjusted the minimum capitalization for rural banks. Under these new guidelines, rural banks are required to have capital accounts of at least ₱50 million for head office only (without regard to the location of the head office), ₱50 million for head office with up to 5 branches (inclusive of head office), ₱120 mmillion for head office with 6 to 10 branches (inclusive of head office), and ₱200 mmillion for head office with more than 10 branches (inclusive of head office). These minimum levels of capitalization may be changed by the Monetary Board from time-to-time.

For purposes of these requirements, the BSP issued BSP Circular No. 1164 on January 5, 2023 which states that the term capital shall be synonymous to unimpaired capital and surplus, combined capital accounts and net worth and shall

refer to the total of the unimpaired paid-in capital, including paid-in surplus, retained earnings and undivided profits. The following are to be added to capital:

- Deposits for stock subscription recognized as equity pursuant to Section 123 of the MORB; and
- Other instruments that meet the following criteria:
 - a. It must be paid-in;
 - b. It must have a minimum maturity of at least five (5) years;
 - c. It may be callable/redeemable at the initiative of the issuer only after a minimum of five (5) years;
 - d. It must be subordinated to depositors and general creditors of the bank; and
 - e. It must have the ability to be converted to common shares or written off upon the occurrence of a trigger event. A trigger event occurs when a bank is considered non-viable as determined by the BSP.

The following shall be deducted from capital:

- treasury stock;
- unbooked allowance for probable losses (including allowance for credit losses and impairment losses);
- total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI and their related interests granted by the bank;
- total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates;
- total outstanding unsecured loans, other credit accommodations and guarantees granted to related parties as defined under Subsection X141.1 of the MORB, that are not at an arm's length terms as determined by the appropriate supervising department of the BSP;
- deferred tax assets that rely on future profitability of the bank to be realized net of any (a) allowance for impairment and (b) associated deferred tax liability if the conditions cited in PAS 12 on income taxes are met; provided, that, if the resulting figure is a net deferred tax liability, such excess cannot be added to net worth;
- reciprocal investment in equity of other banks or enterprises, whether foreign or domestic, if the other bank or enterprise has a reciprocal equity investment in the investing bank, the deduction shall be the (a) investment of the bank or (b) the reciprocal investment of the other bank or enterprises, whichever is lower; and
- in the case of rural/cooperative banks, the government counterpart equity, except those arising from conversion of arrearages under the BSP rehabilitation program.

According to BSP Circular No. 1027 dated December 28, 2018, deposits for stock subscription recognized as equity pursuant to Section X128 of the MORB shall be added to capital.

On July 15, 2014, RA No. 10641 further liberalized the industry by providing that the Monetary Board may authorize foreign banks to acquire up to 100% (previously 60%) of the voting stock of one domestic bank. Under RA 10641, established, reputable and financially sound foreign banks may be 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 bank; (b) by investing in up to 100% of the voting stock of a new banking subsidiary incorporated under the laws of the Philippines; or (c) by establishing branches with full banking authority. The foreign bank applicant must be established, reputable and financially sound. Additionally, such foreign bank must be widely owned and publicly listed in its country of origin, unless the foreign bank applicant is owned and controlled by the government of its country of origin. A foreign bank branch authorized to do banking business in the Philippines under RA 10641 may open up to five sub-branches as may be approved by the Monetary Board. Locally incorporated subsidiaries of foreign banks authorized to do banking business in the Philippines under RA 10641 shall have the same branching privileges as domestic banks of the same category. Privileges shall include the eligibility to operate under a universal banking authority subject to compliance with existing rules and regulations. Notwithstanding the entry of foreign banks, the BSP is mandated to adopt necessary measures to ensure that at all times the control of 60% of the resources or assets of the entire banking system is held by domestic banks, which are majority-owned by Filipinos.

Under RA 10641, the Monetary Board was authorized to issue such rules and regulations as may be needed to implement the provisions of RA 10641. On November 6, 2014, the Monetary Board issued Resolution No. 1794 providing for the implementing rules and regulations of RA 10641 and on November 21, 2014, the BSP issued BSP Circular No. 858, amending the relevant provisions of the MORB, accordingly. On February 15, 2016, BSP issued BSP Circular No. 902, Series of 2016 to implement the phased lifting of the moratorium on the grant of new banking license or establishment of new domestic banks pursuant to its policy to promote a competitive banking environment.

The individuals related to each other within the fourth degree of consanguinity or affinity, whether legitimate, illegitimate or common-law, shall be considered family groups or related interests and must be fully disclosed in all transactions by such an individual with the bank. Moreover, two or more corporations owned or controlled by the same family group or same group of persons shall be considered related interests, which must be fully disclosed in all transactions with the bank.

A bank cannot declare dividends greater than its accumulated net profits on hand deducting therefrom its losses and bad debts. A bank cannot also declare dividends, unless at the time of declaration, it has complied with the following:

- clearing account with BSP is not overdrawn;
- liquidity floor requirement for government funds;
- minimum capitalization requirement and risk-based capital ratios as provided under applicable and existing capital adequacy framework;
- the CCB requirement as defined in Appendix 59, Part III of the MORB for universal and commercial banks and their subsidiary banks and quasi-banks;
- higher loss absorbency requirement, phased-in starting January 1, 2017 with full implementation by January 1, 2019, in accordance with the D-SIB Framework as provided under Section 128 of the MORB for universal and commercial banks and their subsidiary banks and quasi-banks; or
- has not committed any unsafe or unsound banking practice as defined under existing regulations and/or major acts or omissions as determined by BSP to be grounds for suspension of dividend distribution, unless this has been addressed by the bank as confirmed by the Monetary Board or the Deputy Governor, of the appropriate section, as may be applicable, upon recommendation of the appropriate supervising department of the, BSP.

Banks are required to ensure compliance with the minimum capital requirements and risk-based capital ratios even after the dividend distribution.

Regulations with respect to branches

Section 20 of the General Banking Law provides that universal and commercial banks may open branches within or outside the Philippines upon prior approval of the BSP. The same provision of law allows banks, with prior approval from the Monetary Board, to use any or all of their branches as outlets for the presentation and/or sale of financial products of their allied undertakings or investment house units. In line with this, BSP Circular No. 854 Series of 2014 provides various minimum capitalization requirements for branches of banks, depending on the number of branches (e.g., ranging from a minimum of ₱6 billion for up to 10 branches of universal banks to a maximum of ₱20 billion for more than 100 branches of universal banks). For a discussion on the breakdown of minimum capital requirements for banks, please see “*Regulation Relating to Capital Structure.*”

Subject to compliance with the requirements provided in BSP Circular No. 624, issued on October 13, 2008, which provides for BSP’s branching policy and guidelines, the Bank may apply to the BSP for the establishment of branches outside its principal or head office. Generally, only universal/commercial and thrift banks may establish branches on a nationwide basis. Pursuant to BSP Circular No. 759, issued on May 30, 2012, which liberalized the policy on the establishment of branches by removing the limit set on the number of branches allowed to be applied for by a bank, once approved, a branch should be opened within three years from the date of approval. Pursuant to BSP Circular No. 505, issued on December 22, 2005, banks are allowed to establish branches in the Philippines, except in the cities of Makati, Mandaluyong, Manila, Parañaque, Pasay, Pasig and Quezon and the municipality of San Juan, Metro Manila. However, this branching restriction was liberalized pursuant to BSP Circular No. 728, issued on June 23, 2011. Phase 1 of the liberalization allowed private domestically incorporated universal and commercial banks and thrift banks with limited branch networks in the eight cities or “restricted areas” in Metro Manila until June 30, 2014 to apply for and establish branches in said restricted areas. In Phase 2, branching in the “restricted” areas was opened to all banks except rural banks and cooperative banks. However, branches of microfinance-oriented banks and microfinance-oriented branches of regular banks’ branches that will cater primarily to the credit needs of Barangay Micro Business Enterprises duly registered under the Barangay micro business enterprises Act of 2002 (Republic Act No. 9178) may be established anywhere upon the fulfilment of certain conditions. BSP Circular No. 759 further 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.

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.

At present, pursuant to BSP Circular No. 932, Series of 2016, all banks, including rural and cooperative banks, as a general rule are allowed to establish branches anywhere in the Philippines, including in cities previously considered restricted areas.

Branches of microfinance-oriented banks and microfinance-oriented branches of regular banks’ branches that will cater primarily to the credit needs of Barangay Micro Business Enterprises duly registered under the Barangay micro business enterprises Act of 2002 may be established anywhere upon the fulfilment of certain conditions.

Regulations with respect to management of banks

The board of directors of a bank must have at least five and a maximum of 15 members. According to Republic Act No. 11232 or the Revised Corporation Code (the Revised Corporation Code), the board of banks and quasi-banks must have independent directors comprising at least 20% of such board. The Revised Corporation Code also requires a compliance officer. Material contracts of a corporation vested with public interest with (1) one or more of its directors, trustees, officers or their spouses and relatives within the fourth civil degree of consanguinity or affinity must also be approved by at least 2/3 of the members of the board, with at least majority of the independent directors approving the

same, in addition to common requirements for similar contracts for other companies pursuant to Section 31 of the Revised Corporation Code. Under the MORB, at least one-third but not less than two members of the board of directors of universal and commercial banks shall be independent directors. Further, Philippine SEC Memorandum Circular No. 24, Series of 2019, on the Code of Corporate Governance for Publicly-Listed Companies requires the board of directors of publicly listed companies, such as the Bank, to have a Board composed of a majority of non-executive directors and at least two independent directors, or such number as to constitute at least one-third of the members of the Board, whichever is higher. In case of merged or consolidated banks, the number of directors shall not exceed 21. An independent director is a person who independent of management and the controlling shareholder and is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director.

Foreigners are allowed to have board seats to the extent of the foreign participation in the equity of the bank.

The Monetary Board shall issue regulations that provide for the qualifications and disqualifications to become a director or officer of a bank. After due notice to the board of directors of a bank, the Monetary Board may disqualify, suspend or remove any bank director or officer who commits or omits act which renders him or her unfit for the position.

Monetary Board may regulate the payment by the bank of compensation, allowances, bonus, fees, stock options and fringe benefits to the bank officers and directors only in exceptional cases such as when a bank is under conservatorship, or is found by the Monetary Board to be conducting business in an unsafe or unsound manner or when the Monetary Board deems it to be in unsatisfactory condition.

Except in cases allowed under the Rural Bank Act, no appointive or elective public official, whether full time or part time, may serve as officer of any private bank, except if the service is incidental to financial assistance provided by government or government owned and controlled corporation or when allowed by law.

On August 22, 2017, the BSP issued BSP Circular No. 971, prescribing the Guidelines on Risk Governance for BSP Supervised Financial Institutions (“**BSFIs**”), and requiring the appointment of a Chief Risk Officer (“**CRO**”) in universal and commercial banks to head the risk management function. In addition to overseeing the risk management function, the CRO shall also support the board of directors in the development of the risk appetite of the BSFI and for translating the risk appetite into a risk limits structure. The appointment, dismissal and other changes to the CRO requires the prior approval of the board of directors. Pursuant to 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 the same date, the BSP also issued BSP Circular No. 972, prescribing the Enhanced Guidelines in Strengthening Compliance Frameworks for BSFIs, and requiring the appointment of a CCO. The CCO is tasked to oversee the identification and management of the BSFI's compliance risk and shall supervise the compliance function staff. Additionally, the board of directors should ensure that a compliance program is defined for the BSFI and that compliance issues are resolved expeditiously. For this purpose, a board-level committee, chaired by a non-executive director, shall oversee the compliance program.

On January 4, 2018, BSP Circular No. 989 was issued providing the Guidelines on the Conduct of Stress Testing Exercises. Stress testing is a tool to evaluate the potential effects of specified changes in risk factors on a bank's financial position under a severe but plausible scenario to assist the board and management in decision-making. The Board of Directors must consider the results in capital and liquidity planning and setting risk appetite, among others. Banks have a period of two years from effectivity date to gradually change their stress testing practices until it is in compliance with the circular's requirements.

On February 18, 2020, BSP issued Circular No. 1076, which provides the amendments to the regulations on the disqualifications and watchlisting of directors and officers of banks. The BSP prohibited certain persons from becoming officers of a bank, which include, among others, 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.

On April 8, 2021, BSP issued Circular No. 1112, which provides the amendments to the Operational Risk Management of BSFIs. The BSP recognizes that one of the major sources of operational risk is “people risk”. The BSP mandates BSFIs to be stringent in its recruitment and selection process and in the performance management of its personnel. In connection with this circular, the Human Resource Department of BSFIs shall require all those who passed the initial stage of pre-employment screening to accomplish the Authorization Form for Querying (“**AFQ**”) the Bangko Sentral Records.

On August 23, 2022, the BSP issued Circular No. 1149 which provided for guidelines on prudent conduct of investment activities and the minimum practices that a bank should establish for the management and control of risks associated

with its investments. The guidelines cover all of a bank's investments in the trading and banking books, excluding (a) investments that grant control over an enterprise and are accounted for using the equity method, (b) transactions in derivatives involving stand-alone contracts, and (c) receivables arising from repurchase agreements. Under the circular, a bank is mandated to institute a risk management system to manage the risks arising from its investment activities. This system includes having (1) board and senior management oversight; (2) policies, procedures, and limits that provide a framework for managing investment activities; (3) risk measurement, monitoring and management information systems; and (4) internal controls and audit.

On November 28, 2022, the BSP issued Circular No. 1160 which provides for a framework for Bangko Sentral-Supervised Institutions ("BSIs") to manage risks and potential harms to Financial Consumers and institutionalize consumer protection. This framework applies to all financial products created, developed, offered, or marketed by a BSI. Thus, BSIs must comply with the framework by (1) having a consumer protection risk management system (2) establishing board and senior management oversight; (3) maintaining consumer protection standards of conduct; and (4) providing appropriate design and delivery of financial products and services.

Regulations with respect to bank operations

A universal bank, such as the Bank, may open branches or offices within or outside the Philippine subject to the prior approval by the BSP. A bank and its branches and offices shall be treated as one (1) unit. A bank, with prior approval of BSP, may likewise use any of its branches as outlets for presentation and/sale of financial products of its allied undertakings or investment house units.

The Monetary Board shall prescribe the minimum ratio which the net worth of a bank must bear to its total risk assets which may include contingent accounts. In connection thereto, the Monetary Board may require that the ratio be determined on the basis of the net worth and risk assets of a bank, its subsidiaries, financial or otherwise and prescribe the composition and the manner of determining the net worth and total risk assets of bank and their subsidiaries. To ensure compliance with the set minimum ratio, the Monetary Board may limit or prohibit the distribution of net profits by such bank and require that such net profit be used to increase the capital accounts of the bank until the minimum requirement has been met. It may also restrict or prohibit acquisition of major assets and the making of new investments by the bank.

A universal bank has the authority to: (i) perform activities allowed for commercial banks; (ii) exercise powers of an investment house; and (iii) invest in non-allied enterprise.

On February 7, 2019, the BSP issued Circular No. 1031, setting forth additional guidelines for the classification of licenses/authorities based on the types of licenses issued for permissible activities; and providing for corresponding amendments to the licensing requirements of the BSP. The Circular provides that a Type C license is required for the issuance of bonds and commercial paper.

On February 22, 2019, the BSP issued Circular No. 1033, which governs electronic payment and financial services ("EPFS") offered by BSFIs. EPFS are classified as basic EPFS, which are limited to services allowing only receipt of funds or access to information, and advanced EPFS, which enable customers to send funds and initiate other financial transactions. BSFIs intending to offer advanced EPFS must obtain a Type A/B license, while those intending to offer only basic EPFS must obtain a Type C license. Once granted a license, a BSFI must comply with the regulations set forth in the Circular.

On July 25, 2019, the BSP issued Circular No. 1042 on the *Guidelines on Investment Activities of BSFIs*. These cover all of a BSFI's investments in the trading and banking books. It provides the fundamental elements of a BSFI's risk management framework as well as the supervisory expectations on the management of major risks that are inherent in investment activities.

On February 7, 2023, the BSP issued Circular No. 1166, which made changes to the rules on the issuance of e-money and operations of e-money issuers in the Philippines (including rules on liquidity, capitalization, load limit, and guidelines on reporting and sanctions). The new guidelines set forth in this BSP Circular covers BSFIs that issue E-money and engage in E-money business in the Philippines. E-money issued under closed-loop electronic wallet systems is not covered by the guidelines.

Capital adequacy requirements

The Philippines adopted capital requirements based on the Basel Capital Accord in July 2001.

On July 1, 2007, the BSP issued BSP Circular No. 538, which is the implementing guideline of the revised International Convergence of Capital Measurement and Capital Standards known as Basel II.

In December 2010, a new update to the Basel Accords, known as Basel III, was issued by the BCBS containing new standards that modify the structure of regulatory capital. The Basel III regulations include tighter definitions of Tier 1 capital and Tier 2 capital, the introduction of a leverage ratio, changes in the risk weighting of counterparty credit risk, a

framework for counter-cyclical capital buffers, and short and medium-term quantitative liquidity ratios. To align with the international standards, the BSP adopted part of the Basel Committee's eligibility criteria to determine eligibility of capital instruments to be issued by Philippine banks and quasi-banks as Hybrid Tier 1 capital and Tier 2 with the issuance of BSP Circular No. 709 effective January 1, 2011, as amended by BSP Circular No. 716.

In January 2012, the BSP announced that the country's universal and commercial banks, including their subsidiary banks and quasi-banks, will be required to adopt in full the capital adequacy standards under Basel III with effect from January 1, 2014. It aims to replace Basel II, to further strengthen the local bank's loss absorption capacity and encourage banks to rely more on core capital instruments like CET 1 and Tier 1 issues.

This thus 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 January 15, 2013, the BSP issued the implementing guidelines for the adoption on January 1, 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 Tier 1 capital in addition to the CAR. The BSP maintained the minimum CAR at 10.0% and set a minimum CET1 ratio of 6.0% and a minimum Tier 1 capital ratio of 7.5%. The new guidelines also introduced a CCB of 2.5% which shall be made up of CET1 capital.

In addition, banks which issued capital instruments from 2011 will be allowed to count these instruments as Basel III-eligible until end-2015. However, capital instruments that are not eligible in any of the three components of capital were derecognized from the determination of the regulatory capital on January 1, 2014.

On October 29, 2014, the Monetary Board approved the guidelines for the implementation of higher capital requirements on D-SIBs by the BSP under Basel III. Banks deemed as D-SIBs by the BSP are required to maintain capital surcharges to enhance their loss absorbency and thus mitigate any adverse side effects both to the banking system and to the economy should any of the D-SIBs fail. The assessment started in 2014 with the BSP informing banks confidentially of their D-SIB status in 2015. To determine the banks' systemic importance, the BSP will assess and assign weights using the indicator-based measurement approach based on the following: size, interconnectedness, substitutability, and complexity. Depending on how they score against these indicators and the buckets to which the scores correspond, the D-SIBs will have varying levels of additional loss absorbency requirements ranging from 1.0% to 2.5%. Aside from the added capital pressure, D-SIBs may be put at an undue disadvantage compared to G-SIBs given that this framework was patterned for regional/global banks and thus may not be appropriate for local banks. The phased-in compliance started on January 1, 2017 and became fully effective on January 1, 2019. On September 27, 2019, the BSP issued Circular No. 1051, entitled Amendments to BSP Circular No. 1051, which amended the framework for dealing with D-SIBs provided under BSP Circular No. 856.

On February 12, 2016, the Monetary Board approved the guidelines on the submission of a recovery plan by D-SIBs which shall form part of the D-SIBs' ICAAP submitted to the BSP every 31st of March of each year. This was amended by Circular No. 1113, Series of 2021, which now requires that the recovery plan be separate and distinct from the ICAAP document. D-SIBs must submit a separate recovery plan every 30th of June of each year, starting June 30, 2022. The submission of the ICAAP document remains to be every 31st of March of each year. The recovery plan identifies the course of action that a D-SIB should undertake to restore its viability in cases of significant deterioration of its financial condition in different scenarios. At the latest, the recovery plan shall be activated when the D-SIB breaches the total required CET1 capital, the higher loss absorbency ("HLA") capital requirement and/or the minimum liquidity ratios as may be prescribed by the BSP. As a pre-emptive measure, the recovery plan should use early warning indicators with specific levels (i.e., quantitative indicators supplemented by qualitative indicators) that will activate the recovery plan even before the above-said breaches happen. This preparatory mechanism, including the operational procedures, monitoring, escalation and approval process should be clearly defined in the recovery plan. The ICAAP document which includes the first recovery plan was submitted on June 30, 2016 and will be resubmitted on the 31st of March of each year.

In addition, Basel III capital rules for banks include setting up a CCyB wherein banks may be required by the relevant regulator to build up the required level of capital during boom times and draw down on the buffer in the event of an adverse turn in the cycle or during periods of stress, thus helping to absorb losses. The CCyB will require banks to hold additional common equity or other fully loss absorbing capital in amounts ranging from 0% to 2.5% of the risk-weighted assets. On December 6, 2018, the BSP issued the guidelines on CCyB. BSP Circular No. 1024 imposes a CCB of 2.5% and a CCyB of 0% subject to upwards adjustment to a rate determined by the Monetary Board when systemic conditions warrant but not to exceed 2.5%. Any increase in the CCyB rate shall be effective 12 months after its announcement, while decreases shall be effective immediately. The circular further provides that the HLA requirement shall be on top of the combined requirement for CCB and CCyB. Under the Bank for International Settlements ("BIS"), the CCyB became fully effective on January 1, 2019.

On September 27, 2019, the BSP issued Circular No. 1051 which amended the framework for D-SIBs. Said Circular amended the list of indicators and their respective weights in order to identify D-SIBs. In addition, said Circular revised the range of the HLA requirement as percentage of risk-weighted assets.

In May 2015, the BSP approved the guidelines for the implementation of Basel III leverage ratio (computed as banks' Tier 1 capital divided by its total on-book and off-book exposure). On June 9, 2015, the BSP issued BSP Circular No. 881 on the implementing guidelines and accordingly, amending the relevant provisions of the guidelines. Under the guidelines, universal and commercial banks are required to maintain a minimum leverage ratio of 5%, which is more stringent than the 3% minimum leverage ratio under Basel III by January 1, 2017 (which compliance period was extended to January 1, 2018 based on BSP Circular No. 943 issued in 2017). The guidelines also provide for a monitoring period up to the end of 2016 during which banks are required to submit periodic reports; however, sanctions will not be imposed on banks whose leverage ratios fall below the required 5% minimum during the period. However, sanctions were not imposed on banks whose leverage ratios fell below the required 5% minimum during the period. The leverage ratio serves as a backstop measure to the risk-based capital requirements. While this has no material impact given that Philippine banks' ratios are above the required minimum, the leverage ratio along with other pending components of Basel III point to an increasing regulatory burden on banks. On January 26, 2017, the BSP issued BSP Circular No. 943 which approved the one-year extension of the Basel III Leverage Ratio monitoring period from December 31, 2016 to December 31, 2017, and set new deadlines for the submission of the reporting and disclosure requirements. During the monitoring period, the BSP will continue to assess the calibration and treatment of the components of the leverage ratio. The leverage ratio serves as a backstop measure to the risk-based capital requirements. While this has no material impact given that Philippine banks' ratios are above the required minimum, the leverage ratio along with other pending components of Basel III point to increasing regulatory burden on banks.

On January 22, 2018, the BSP issued BSP Circular No. 990 which approved the extension of the Basel III Leverage Ratio monitoring period from December 31, 2017 to June 30, 2018, and set new deadlines for the submission of the reporting and disclosure requirements. The monitoring of the leverage ratio shall be implemented as a Pillar 1 minimum requirement effective on July 1, 2018.

On April 28, 2020, the BSP issued Memorandum No. M-2020-034 which relaxed the credit risk weight for loans to MSMEs under the BSP's risk-based capital adequacy frameworks. Banks' exposure to qualified MSMEs, those that meet the criteria and the current MSME exposures that do not qualify as a highly diversified MSME portfolio, will only be assigned a credit risk weight of 50%, down from 75% previously. The foregoing relaxation in the credit risk weight for loans to MSMEs under the BSP's risk-based capital adequacy frameworks shall apply until June 30, 2023, pursuant to Memorandum No. M-2022-041 issued by the BSP on September 23, 2022.

On May 4, 2020, the BSP issued Memorandum Circular No. M-2020-039, which allows universal and commercial banks, and their subsidiary banks and quasi-banks, which have built up their CCB and LCR buffer, to utilize the same during this state of health emergency, subject to the following:

- a. the bank or quasi-bank which draws down its 2.5% minimum CCB will not be considered in breach of the Basel III risk-based capital adequacy framework but will be restricted from making distributions in the form of dividends (in the case of banks incorporated and established under Philippine laws), profit remittance (in the case of a foreign bank branch), share buybacks, discretionary payments on other Tier 1 capital instruments, or discretionary bonus payments to staff; and
- b. the bank or quasi-bank may draw on its stock of liquid assets to meet liquidity demands to respond to the current circumstances, even if this may cause its LCR to fall below the 100% minimum requirement. In the event the bank or quasi bank has recorded a shortfall in the stock of its HLA for three banking days within any two-week rolling calendar period, thereby causing the LCR to fall below the 100%, such bank or quasi bank must notify the BSP of such a breach on the banking day immediately following the occurrence of the third liquidity shortfall.

Banks and quasi-banks will be given a reasonable time period to restore their Basel III capital conservation and liquidity buffers after the COVID-19 pandemic. Meanwhile, non-compliance with the minimum CAR and NSFR requirements as a result of the COVID-19 pandemic will be handled on a case-by-case basis by the BSP.

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 BSP on the amount of any deficiency. Furthermore, the Monetary Board may limit or prohibit its making of new loans or investments, and require that part or all of the net profits be assigned to surplus. Deposits maintained by banks with BSP as part of reserve requirements are exempt from attachment, garnishment, or other order of process of courts, government agencies, or any other administrative body issued to satisfy the claim of a party other than the government, or its political subdivision.

Under BSP Circular No. 732 issued on August 3, 2011, as further amended by BSP Circular No. 753 issued on March 29, 2012, BSP Circular No. 830 issued on April 3, 2014, BSP Circular No. 832 issued on May 27, 2014, BSP Circular

No. 997 issued on February 15, 2018, BSP Circular No. 1004 issued on May 24, 2018, BSP Circular No. 1041 issued on May 29, 2019, BSP Circular No. 1054 issued October 11, 2019, BSP Circular No. 1063 issued on December 3, 2019 and BSP Circular No. 1082 issued on March 31, 2020, universal and commercial banks are required to maintain regular reserves of: (a) 12% against demand deposits, savings deposit, time deposit and deposit substitutes, Peso deposits lodged under due to foreign banks, Peso deposits lodged under due to head office/branches/agencies abroad (Philippine branch of a foreign bank); (b) 12% against negotiable order of withdrawal accounts; (c) 0% against deposit substitutes evidenced by repurchase agreements; (d) 4% against LTNCDs; and (e) 3% against bonds.

On October 15, 2019, the Monetary Board approved the reduction in the reserve requirement rate for bonds issued by banks and quasi-banks from 6.0% to 3.0%, in furtherance of the BSP's commitment to contribute to the deepening of the local debt market and to incentivize banks and quasi-banks to tap the domestic bond market as part of their liquidity management. On October 24, 2019, the Monetary Board announced that it was reducing the reserve requirement ratio by 100 basis points for universal/commercial and thrift banks, in line with the BSP's broad financial sector reform agenda to promote a more efficient financial system by lowering financial intermediation costs and to ensure sufficient domestic liquidity in support of economic activity. On March 31, 2020, the Monetary Board approved a reduction in the reserve requirement ratios of deposit and deposit substitute liabilities of universal and commercial banks and non-bank financial institutions with quasi-banking functions. The new rates of required reserves became effective on reserve week April 3, 2020.

Since July 31, 2020, the BSP has regularly adjusted the reserve requirements as part of the liquidity management of the BSP. Under Circular No. 1211 issued by the BSP on March 11, 2025, the BSP further reduced the reserve against deposit and deposit substitute liabilities in local currency of banks effective reserve week starting March 28, 2025 to 5% for universal and commercial banks and 2.5% for digital banks with respect to 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. The reserve against deposit and deposit substitute liabilities in local currency of banks with respect to thrift, rural and cooperative banks currently remains at zero percent.

On April 22, 2020, the BSP issued Circular No. 1083 as part of the Government's financial assistance program to the MSMEs, which states that loans that are granted to MSMEs shall be allowed as alternative compliance with the required reserves against deposit and deposit substitute liabilities, subject to the following conditions:

- That the MSME loan was granted after March 15, 2020;
- That the MSME loan is not hypothecated or encumbered in any way, or rediscounted with the BSP, or earmarked for any other purpose.

Qualified MSME loans are to be valued at amortized cost, gross of allowance for credit losses. This shall be available to banks from April 24, 2020 to December 30, 2021.

On July 27, 2020, the BSP issued Circular No. 1092, which reduced the reserve requirements against deposit and deposit substitute liabilities in local currency of banks, which took effect on July 31, 2020.

On October 8, 2020, the BSP issued Circular No. 1100 which amended Circular No. 1087 issued May 27, 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 March 15, 2020; Provided, that if such MSME loan becomes past due or non-performing, as defined under Sec. 304/303-Q, 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 March 15, 2020 but has been renewed or restructured after March 15, 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 MSME loans as allowable alternative compliance with the reserve requirement shall be available to banks/NBQBs from April 24, 2020 to June 30, 2023, pursuant to BSP Circular No. 1155 issued on September 21, 2022.

- Peso-denominated loans that are granted to large enterprises, excluding banks and NBQBs, subject to the

following conditions:

- That the loan was granted, renewed or restructured after March 15, 2020; provided, that a loan to a large enterprise that becomes past due or non-performing, as defined under Sec. 304/303-Q, is no longer eligible as an alternative mode of compliance with the reserve requirements, except if such loan to a large enterprise 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 loan to a large enterprise 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 March 15, 2020 but has been renewed or restructured after March 15, 2020 provided, that the bank demonstrates an increase in its loan portfolio to large enterprises during the month preceding the reserve day.
- That the loan to the large enterprise 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 May 29, 2020 to June 30, 2023, pursuant to BSP Circular No. 1155 issued on September 21, 2022.

Pursuant to BSP Memorandum Circular No. 1176, Series of 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 June 30, 2023 shall remain eligible for such purpose until said loans are fully paid but not later than December 31, 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 June 30, 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 June 30, 2023 by banks shall not be eligible as alternative compliance with the reserve requirement.

On June 23, 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 June 30, 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 December 13, 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.

Liquidity requirements

Local banks face new liquidity requirements, namely, the LCR and the NSFR, under Basel III. The LCR requires banks to hold sufficient level of HQLAs to enable them to withstand a 30 day-liquidity stress scenario. Meanwhile, the NSFR requires that banks' assets and activities are structurally funded with long-term and more stable funding sources. While both ratios are intended to strengthen banks' ability to absorb shocks and minimize negative spill over to the real economy, compliance with these ratios may also further increase competition among banks for deposits as well as HQLAs.

In March 2016, the Monetary Board approved the LCR framework with an observation period from July 1, 2016 until the end of 2017, during which banks are required to commence reporting their LCR to the BSP. Starting January 1, 2018, the LCR threshold that banks will be required to meet will be 90%, which was increased to 100% commencing on January 1, 2019. On February 8, 2018, the BSP issued BSP Circular No. 996 which amended the LCR framework and extended its coverage to subsidiaries of universal and commercial banks and quasi-banks on both solo (head office and branches/other offices) and consolidated (parent bank and subsidiary financial allied undertakings) bases.

On March 15, 2019, BSP issued BSP Circular No. 1035 which introduced certain amendments to the Basel III LCR Framework and Minimum Liquidity Ratio Framework, including the (i) extension of the observation period of the minimum Basel III LCR requirement to December 31, 2019 for subsidiary banks and quasi-banks of universal and commercial banks, (ii) adoption of the 70% LCR floor for subsidiary banks and quasi-banks during the observation period, and (iii) amendment of the formula for minimum liquidity ratio. The subsidiary banks and quasi-banks of universal and commercial banks are required to comply with the minimum LCR of 100% starting January 1, 2020.

On June 6, 2018, the BSP issued BSP Circular No. 1007 which sets out the guidelines on the adoption of the Basel III Framework on Liquidity Standards – NSFR. The guidelines require that covered entities maintain an NSFR of at least

100% at all times. The framework applies to all universal and commercial banks, their subsidiary banks, and quasi-banks. The Circular provides for an observation period until December 31, 2018, during which NSFR Reports must be submitted and should a covered entity be unable to meet the minimum NSFR for a period of two consecutive weeks, it must immediately adopt a board-approved stable funding build-up plan. On March 15, 2019, the Monetary Board approved the extension of the observation period for the NSFR of the subsidiary banks and quasi banks of universal and commercial banks until December 31, 2019, moving the effectivity dates of said ratios to January 1, 2010. During the extended observation period, subsidiary banks and quasi-banks of universal and commercial banks are required to comply with a 70% LCR and NSFR, which shall increase to 100% on January 1, 2020. The Monetary Board also approved enhancements to the LCR and minimum liquidity ratio guidelines, including netting of cash inflows and outflows to and from the same derivative counterparty for the LCR framework, and counting interbank placements as eligible liquid assets and adjusting qualifying liabilities through conversion factors to retail current and regular savings deposits worth ₱500,000 and below and certain liability accounts. The internationally agreed start date for the phase-in of liquidity requirements is January 1, 2015.

On February 13, 2020, the BSP issued Memorandum No. M-2020-003 which provided guidelines on the electronic submission of the Basel III NSFR Report and LCR Report. It states that all subsidiary banks and quasi-banks must observe the guidelines for the live implementation of the NSFR and LCR reports beginning reporting period ended January 31, 2020, in line with BSP Circular Nos. 1034 and 1035 both dated March 15 2019 on the Amendments to the Basel III Framework on Liquidity Standards - NSFR and the Amendments to the Basel III LCR Framework and Minimum Liquidity Ratio Framework.

On May 4, 2020, the BSP issued BSP Memorandum Circular No. M-2020-039, which allows universal and commercial banks, and their subsidiary banks and quasi-banks, which have built up their CCB and LCR buffer, to utilize the same during this state of health emergency, subject to the following:

- the bank or quasi-bank which draws down its 2.5% minimum CCB will not be considered in breach of the Basel III risk-based capital adequacy framework but will be restricted from making distributions in the form of dividends (in the case of banks incorporated and established under Philippine laws) or, profit remittance (in the case of a foreign bank branch), share buybacks, discretionary payments on other Tier 1 capital instruments, or discretionary bonus payments to staff; and
- the bank or quasi-bank may draw on its stock of liquid assets to meet liquidity demands to respond to the current circumstances, even if this may cause its LCR to fall below the 100% minimum requirement. In the event the bank or quasi bank has recorded a shortfall in the stock of its HLA for three banking days within any two-week rolling calendar period, thereby causing the LCR to fall below the 100%, such bank or quasi bank must notify the BSP of such a breach on the banking day immediately following the occurrence of the third liquidity shortfall.

Banks and quasi-banks will be given a reasonable time period to restore their Basel III capital conservation and liquidity buffers after the COVID-19 pandemic. Meanwhile, non-compliance with the minimum CAR and NSFR requirements as a result of the COVID-19 pandemic will be handled on a case-by-case basis by the BSP.

Credit risk management

In October 2014, the BSP issued BSP Circular No. 855 which provides for new guidelines on sound credit risk management practices. BSP Circular No. 855 mandates banks to establish appropriate credit risk strategy and policies, processes and procedures including cash flow-based credit evaluation process, and tighter provisioning guidelines. These are seen to increase costs as banks may have to upgrade their risk management systems and provisioning requirements.

Additionally, BSP Circular No. 855 sets the collateral value (“CV”) for a loan backed up by real estate to only 60% of its appraised value. Banks will still be allowed to lend more than 60% of the CV; however, the portion above 60% will be considered unsecured, thus requiring banks to set up loan loss provisions accordingly. The CV ruling should not be mistaken for the loanable value, which is the loan amount extended by banks to its borrowers. The current industry practice is an LTV ratio of 70%-80%, which some banks may continue to grant provided that they have strict and consistent lending standards, adequate capital buffer and provisions. This new ruling, along with other BSP regulations intended to avert a property bubble, could result in an overall slowdown in lending to the real estate sector as banks adjust to these rulings.

To better monitor the banking industry’s exposure to the property sector, the BSP in September 2012 approved the guidelines that effectively widened the scope of banks’ REE to include mortgages and loans extended to the following: individuals to finance the acquisition/construction of residential real estate for own occupancy as well as land developers and construction companies for the development of socialized and low-cost housing. Securities investments issued for purposes of financing real estate activities are also included under the new guidelines. Banks were required to submit the expanded report starting end-December 2012.

Further on June 27, 2014, the BSP issued BSP Circular No. 839 requiring banks to undergo real estate stress tests while setting prudential limits for banks’ REE to ensure that they have adequate capital to absorb potential losses to the

property sector. Universal and commercial banks as well as thrift banks must meet a capital adequacy ratio of 10% of qualifying capital after adjusting for the stress test results. Further, universal and commercial banks and their thrift bank subsidiaries are required to maintain a level of CET1 capital that is at least 6% of qualifying capital after factoring in the stress scenario. In addition, banks are mandated to submit quarterly report of their REE, in line with the new real estate stress test capital requirements.

On October 10, 2017, the BSP issued BSP Circular No. 976 which approved amendments to the expanded report on the REE of banks, and required the submission of a report on project finance exposures to enable the BSP to gather more granular information regarding these exposures. It also clarified the definition of loans to finance infrastructure projects for public use that are currently exempt from the 20% limit on real estate loans.

On November 23, 2017, the BSP issued BSP Circular No. 983 that prescribes the reduction in the reserve requirement rate on repurchase transactions, as well as sets forth the features of the repurchase program that shall be eligible for the zero-reserve rate requirement. Deposit substitutes evidenced by repurchase agreements covering government securities that are transacted in an organized market under the Government Securities Repo Program shall be subject to the reserve requirement of zero percent (0%) beginning the first week of December 2017.

On August 20, 2020, the BSP issued Circular No. 1093 which amends the real estate limits of banks. The previous limit of 20% on REE of universal and commercial banks had been increased to 25%. The REST Limit has also been amended to apply to the following REE: commercial real estate loans, investment in debt securities issued by land developers/construction companies and other corporate borrowers, such as real estate brokers, real estate lessors, property management companies, for purposes of financing real estate activities, and investments in equity securities issued by land developers/construction companies and other corporate borrowers, such as real estate brokers, real estate lessors and property management companies, for purposes of financing real estate activities. Under the Circular, the manner of computing the REST Limit was revised to remove residential real estate for own occupancy as well as land developers and construction companies for the development of socialized and low-cost housing which was included in the previous regulations. The REE shall not include loans and investments in debt and equity securities the proceeds of which are used to finance infrastructure projects for public use.

On January 4, 2021, the BSP issued Memorandum Circular No. M-2021-002 granting regulatory relief to foreign bank branches with respect to their compliance with the single borrower's limit (**SBL**). Existing foreign bank branches established in the Philippines prior to Republic Act No. 10641 that breach the SBL shall not be subject to sanctions until December 31, 2021, provided certain conditions are met.

On August 23, 2022, the BSP issued Circular No. 1149 which provided for guidelines on prudent conduct of investment activities and the minimum practices that a bank should establish for the management and control of risks associated with its investments. The guidelines cover all of a bank's investments in the trading and banking books, excluding (a) investments that grant control over an enterprise and are accounted for using the equity method, (b) transactions in derivatives involving stand-alone contracts, and (c) receivables arising from repurchase agreements. Under the circular, a bank is mandated to institute a risk management system to manage the risks arising from its investment activities. This system includes having (1) board and senior management oversight; (2) policies, procedures, and limits that provide a framework for managing investment activities; (3) risk measurement, monitoring and management information systems; and (4) internal controls and audit.

Limitations on operations

The Single Borrower's Limit

Except as prescribed by Monetary Board for reasons of national interest, the total amount of loan, credit accommodations and guarantees (determined on the total credit commitment) that may be extended by a bank to any person or entity shall at no time exceed 20.0% of the net worth of the 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. as at December 31, 2011, the ceiling applicable to the Bank was 25.0% (or 35.0% of the net worth of the bank in the event that certain types and levels of security are provided). The ceiling may be increased by the following percentages: (a) an additional 10% of the net worth of the bank as long as the additional liabilities are secured by shipping documents, trust or warehouse receipts or other similar documents which cover marketable, nonperishable goods which must be fully covered by insurance, (b) an additional 25% of the net worth of the bank provided that: (i) the additional loans, credit accommodations and guarantees are used to finance the infrastructure and/or development projects under the Public-Private Partnership Program of the government duly certified by the Secretary of Socio-Economic Planning; (ii) these additional liabilities should not exceed 25% of the net worth of the bank; and (iii) the additional 25% shall only be allowed for a period of six years from December 6, 2010; and (c) an additional 15% of the net worth of the bank provided that the additional loans, credit accommodations and guarantees are used to finance oil importation of oil companies which are not subsidiaries or affiliates of the lending bank which is also engaged in energy and power generation. To encourage BSFIs to engage in agricultural value chain financing, the total amount of loans, credit accommodations and guarantees may also be increased by an additional 25.0% granted to entities, which act as value chain aggregators of the lending banks' clients, and/or economically-linked entities that are also actors/players in the value chain, which shall only be for a period of three years from March 14, 2016, subject to review after said period.

The limitations shall not apply to (a) loans and other credit accommodations secured by obligations of the BSP or of the Government; (b) loans and other credit accommodations fully guaranteed by the Government as to the payment of principal and interest; (c) loans and other credit accommodations secured by U.S. Treasury Notes and other securities issued by central governments and central banks of foreign countries with the highest credit quality given by any two internationally accepted rating agencies; (d) loans and other credit accommodations to the extent covered by the hold-out on or assignment of, deposits maintained in the lending bank and held in the Philippines; (e) loans, credit accommodations and acceptances under letters of credit to the extent covered by margin deposits; and (f) other loans or credit accommodations which the Monetary Board may from time to time specify as non-risk items. On July 5, 2017, the BSP issued BSP Circular No. 965, approving the guidelines on the exclusion from the SBL of banks and quasi-banks' short-term exposures to clearing and settlement banks arising from payment transactions.

On April 30, 2018, the BSP issued BSP Circular No. 1001 which provided for a separate individual limit of 25.0% of the net worth of the lending bank for loans, credit accommodations and guarantees granted by a bank to an entity for the purpose of project finance. The applicability of the separate individual limit shall be subject to the following conditions: (a) the unsecured portion shall not exceed 12.5% of the net worth of the lending bank when the project is already operational; (b) such project finance loans are for the purpose of undertaking initiatives that are in line with the priority programs and projects of the government; (c) the lending bank shall ensure that the standard prudential controls in project finance loans designed to safeguard creditors' interests are in place, which may include pledge of a borrower's shares, assignment of the borrower's assets, assignment of all revenues and cash waterfall accounts, and assignment of project document; (d) the lending bank shall consider its total project finance exposures in complying with the guidelines in managing large exposures and credit risk concentrations; (e) the subsidiary or affiliate is not a related interest of any of the director, officer, and/or stockholder of the lending bank; and (f) the total outstanding loans, other credit accommodations and guarantees to all subsidiaries and affiliates shall be subject to the aggregate limits for RPTs.

On February 10, 2020, the BSP issued Circular No. 1073 which extended the transitory period on single borrower's limit of foreign bank branches to until December 31, 2020. On January 4, 2021, the BSP issued Memorandum No. M2021-002 again extending the transitory period. Existing foreign branches shall be given until December 31, 2021 to use twice the level of capital as net worth, as reference point for purposes of determining the appropriate SBL.

BSP issued BSP Memorandum No. M-2020-11 dated March 19, 2020, Memorandum No. M-2020-057 dated July 21, 2020, Memorandum No. M-2021-026 dated April 26, 2021, and Memorandum No. M-2022-004 which provided relief measures to BSFIs. This includes an increase in the single borrower's limit from 25% to 30% until December 31, 2022.

On July 22, 2020, the BSP issued Circular No. 1091, which excluded debt securities held by market makers from the single borrower's limit for a period of ninety (90) days from the date of acquisition, if acquired from August 1, 2020 to July 31, 2021, and not exceeding sixty (60) days, if acquired after August 1, 2021. On January 5, 2023, the BSP issued Circular No. 1164 which provided for minimum operational requirements for credit risk transfer agreements to be excluded from the total credit commitment of a bank to a borrower in reckoning compliance with the Single Borrower's Limit.

On January 5, 2023, the BSP issued Circular No. 1164 which provides for the definition of credit risk transfer and clarifies that loans and other credit accommodations or portion thereof covered by an effective credit risk transfer arrangement in the form of a guarantee or credit derivative that complies with the minimum operational requirements provided under the MORB shall be excluded from the total credit commitment of the bank to a borrower in reckoning compliance with the 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 December 13, 2023, the BSP issued Circular No. 1185 granting an additional SBL of 15% of net worth on loans, credit accommodation and guarantees for the purpose of financing eligible green or sustainable projects, including transitional activities to decarbonization, and 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.

Limitation on Transfer of Shares

Prior approval by the BSP is required for the transfers or acquisitions, or a series thereof, of at least ten percent (10%) of the voting shares in banks or quasi-banks. The selling or conveying stockholder shall submit such transfer or acquisition for approval by the BSP within such period as may be prescribed by the Monetary Board. In approving such transfers or acquisitions, regard shall be given by the BSP to the fitness of the incoming stockholders as may be indicated in their integrity, reputation and financial capacity.

Without BSP approval, no such transfer or acquisition shall have legal effect nor shall the same be recognized in the books of the institution or by any government agency, and the transferor-stockholders shall remain accountable and responsible therefor.

Transfer of actual control or management of the institution to the new stockholders or their representatives prior to BSP approval shall make the transferor, the transferee and any person responsible therefor liable under Sections 36 and 37 of the New Central Bank Act. Notwithstanding any provision of law to the contrary, the BSP may share with the Philippine Deposit Insurance Corporation any information that the BSP may obtain pertaining to transfer or acquisition of shares or series of transfers or acquisition of shares in banks and quasi-banks.

Limitation on DOSRI Transactions

No director or officer of any bank shall directly or indirectly, for himself or as the representative or agent of others, borrow from such bank nor shall he become a guarantor, endorser or surety for loans from such bank to others, or in the manner be an obligor or incur any contractual liability to the bank except with the written approval of the majority of all the directors of the bank, excluding the director concerned.

After due notice to the board of directors of the bank, the office of any officer or director who violates the DOSRI limitation may be declared vacant and such erring officer or director shall be subject to the penal provisions of the New Central Bank Act. The DOSRI account shall be limited to an amount equivalent to their respective unencumbered deposits and book value of their paid-in capital contribution in the bank. The limitation excludes loans, credit accommodations and guarantees secured by assets which the Monetary Board considers as non-risk.

Any director, officer or stockholder who, together with his related interest, contracts a loan or any form of financial accommodation from: (1) his bank or (2) from a bank (a) which is a subsidiary of a bank holding company of which both his bank and the lending bank are subsidiaries or (b) in which a controlling proportion of the shares is owned by the same interest that owns a controlling proportion of the shares of his bank, in excess of 5% of the capital and surplus of the bank, or in the maximum amount permitted by law, whichever is lower, shall be required by the lending bank to waive the secrecy of his deposits of whatever nature in all banks in the Philippines. Any information obtained from an examination of his deposits shall be held strictly confidential and may be used by the examiners only in connection with their supervisory and examination responsibility or by the BSP in an appropriate legal action it has initiated involving the deposit account.

On June 2, 2016, the Monetary Board approved the revisions to prudential policy on loans, other credit accommodations, and guarantees granted to DOSRIs. The Monetary Board approved the exclusion of loans, other credit accommodation and guarantees granted by a bank to its DOSRI for the purpose of project finance from the 30% unsecured individual ceiling during the project gestation phase, provided, that the bank shall ensure that standard prudential controls in project finance loans designed to safeguard creditors' interests are in place, which may include pledge of the borrower's shares, assignment of the borrower's assets, assignment of all revenues and cash waterfall accounts, and assignment of project documents.

On June 23, 2016, the BSP issued BSP Circular No. 914, Series of 2016 amending the prudential policy on loans, other credit accommodations, and guarantees granted to DOSRI, subsidiaries and affiliates. BSP Circular No. 914 has raised the ceilings on the exposures of subsidiaries and affiliates of banks to priority programs particularly infrastructure projects under the PDP/PIP needed to support economic growth. The exposures to subsidiaries and affiliates in PDP/PIP projects will now be subject to higher individual and unsecured limits of 25% instead of 10% and 12.5% instead of 5% of the net worth of the lending bank, respectively, subject to conditions. Further, the circular also provides for a refined definition of "related interest" and "affiliates" to maintain the prudential requirements and pre-empt potential abuse in a borrowing transaction between the related entities. The circular also amends the capital treatment of exposures to affiliates by weighing the risk of both the secured and unsecured loans granted to the latter.

On December 23, 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.

Limitations on Loans and Credit Accommodations

As a general rule, loan and other credit accommodation against real estate shall not exceed 60% of the appraised value of the real estate security plus 60% of the appraised value of the insured improvements, and such loans may be made to the owner of the real estate or to his assignees, except for the following which shall be allowed a maximum value of 70% of the appraised value of the insured improvements: (a) residential loans not exceeding ₱3.5 million to finance the

acquisition or improvement of residential units; and (b) housing loans extended by or guaranteed under the Government's "National Shelter Program", such as the Expanded Housing Loans Program of the Home Development Mutual Fund and the mortgage and guaranty and credit insurance program of the Home Insurance and Guaranty Corporation. Prior to lending on an unsecured basis, a bank must investigate the borrower's financial position and ability to service the debt and must obtain certain documentation from the borrower, such as financial statements and tax returns. Any unsecured lending should be only for a time period essential for completion of the operations to be financed. Likewise, loans against chattels and intangible properties shall not exceed 75% of the appraised value of the security and such loans may be made to the titleholder of the unencumbered chattels and intangible properties or his assignee.

On February 4, 2008, the BSP issued Circular No. 600 removing interbank loans from the total loan base to be used in computing the aggregate limit on real estate loans and amending the inclusions and exclusions to be observed in the computation.

On October 10, 2017, the BSP issued Circular No. 976 which approved amendments to the expanded report on the REE of banks and required the submission of a report on project finance exposures to enable the BSP to gather more granular information regarding these exposures. It also clarified the definition of loans to finance infrastructure projects for public use that are currently exempt from the 20% limit on real estate loans.

On October 27, 2017, the BSP issued BSP Circular No. 978 which provided for exclusion of the portion of loans and other credit accommodation covered by guarantees of international/regional institutions/multilateral financial institutions where the Philippine Government is a member/shareholder, from the ceilings on total outstanding loans, other credit accommodations and guarantees granted to banks' subsidiaries and affiliates. BSP Circular No. 978 excluded the following in determining compliance with the ceilings provided under BSP Circular No. 914: (1) Loans, other credit accommodations and guarantees secured by assets considered as non-risk under existing BSP regulations; (2) IBCLs; and (3) The portion of loans and other credit accommodations covered by guarantees of international/regional institutions/ multilateral financial institutions where the Government is a member/shareholder, such as the International Finance Corporation and the Asian Development Bank.

On August 20, 2020, the BSP Circular No. 1093 expanded the real estate loan limit for universal and commercial banks from 20% to 25%.

On January 19, 2023, the BSP approved Circular No. 1165, which imposed a 36% annual interest rate ceiling on all credit card transactions and a ₱200.00 maximum processing fee in the case of credit card cash advances, except credit card installment loans which shall be subject to a monthly add-on rate not exceeding 1%, subject to review by the BSP every six (6) months.

Limitation on Investments

The total investment of a universal bank in equities of allied and non-allied enterprises shall not exceed 50% of its net worth. Moreover, the equity investment in any one enterprise whether allied or non-allied, shall not exceed 25% of the net worth of the universal bank. Net worth for this purpose is defined as the total unimpaired paid-in capital including paid-in surplus, retained earnings and undivided profit, net of valuation reserves and other adjustments as may be required by BSP. The Monetary Board must approve such acquisition of equities. Further, the BSP may impose conditions on any approval of a major investment and has the authority to seek corrective action.

A universal bank can own up to 100% of the equity in a thrift bank, a rural bank or a financial or non-financial allied enterprise. A publicly listed universal bank, such as the Bank, may own up to 100% of the voting stock of only one other universal or commercial bank. However, with respect to non-allied enterprise, the equity investment in such enterprise by a universal bank shall not exceed 35% of the total equity in the enterprise nor shall it exceed 35% of the voting stock in that enterprise.

A bank's total investment in real estate and improvements including bank equipment shall not exceed 50% of the combined capital accounts. Further, the bank's investment in another corporation engaged primarily in real estate shall be considered as part of the bank's total investment in real estate, unless otherwise provided by the Monetary Board.

The limitation stated above shall not apply with respect to real estate acquired by way of satisfaction of claims. However, all these properties must be disposed by the bank within a period of five years or as may be prescribed by the Monetary Board.

On November 26, 2019, the BSP issued Memorandum Circular No. M-2019-028, requiring all BSP-supervised financial institutions to take the enumerated preventive measures against illegal investment schemes, including "Ponzi Scheme(s)."

On February 4, 2021, the BSP issued Circular No. 1109, reducing the minimum size of each investment management account and expanding the securities eligible as investment outlet for commingled funds under investment management.

On August 23, 2022, the BSP issued Circular No. 1149 which provides the guidelines on the integration of sustainability principles in investment activities of banks. This Circular requires banks to consider environmental and social risks in defining credit risk appetite and ensure that such investment does not contribute to sectors considered to have harmful effects to the environment or society. The Circular covers all of a bank's investments in the trading and banking books but do not apply to bank's (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.

On August 8, 2024, the BSP issued Circular No. 1199 which provides for the guidelines on the divestment of equity investments by banks which are not allowed under applicable laws or which do not comply with applicable regulations. Under this Circular, a bank which has been directed to divest specific equity investments which do not comply with applicable regulations are required to submit a divestment plan to the appropriate supervising unit or department of the BSP and regularly provide status of the implementation of the plan.

Prohibition to act as Insurer

A bank is prohibited from directly engaging in insurance business as the insurer.

Limitations on Outsourcing

A bank is prohibited from outsourcing its inherent banking functions, such as the taking of deposits from the public, granting of loans and extension of other credit exposures, management of risk exposures, and general management.

Management contracts of banks with management firms shall be limited to consultancy and advisory services. It can outsource, in accordance with BSP regulations, certain activities to address resource constraints and to have access to certain areas of expertise. Should the bank opt to outsource, it shall manage its risks such as reputational/legal, operational, confidentiality, compliance, country and concentration risks.

On February 18, 2022, the BSP issued Circular No. 1137 which requires banks to evaluate whether an outsourcing arrangement is material or non-material to the business. An arrangement is considered material if a business disruption of an outsourced activity, service delivery failure and/or data/security breach will result in significant impact to the bank's operations, financial condition, reputation, and compliance with laws and regulations. For material outsourcing arrangement, only banks with a Supervisory Assessment Framework composite rating of at least "3" shall be allowed to outsource designated activities without prior BSP approval, subject to notification requirements. Otherwise, Banks with lower rating must secure approval from the appropriate supervising department prior to implementation of the material outsourcing arrangement. Moreover, the said issuance requires the observance of the guidelines and requirements of outsourcing to third-party providers when the bank itself acts the service provider, or participates in intra-group outsourcing or engages in offshore outsourcing.

Permitted Services

In addition to the operations incidental to its banking functions, a bank may perform the following services:

- receive in custody funds, documents and valuable objects;
- act as financial agent and buy and sell, by order of and for the account of their customers, shares evidences of indebtedness and all types of securities;
- make collections and payments for the account of others and perform such other services for their customers as are not incompatible with banking business;
- upon prior approval of the Monetary Board, act as the managing agent, adviser, consultant or administrator of investment management/advisory/consultancy accounts; and
- rent out safety deposit boxes.

BSP Circular No. 1003, issued on May 16, 2018, outlined the Guidelines on the Establishment and Operations of Bank and Non-Bank Credit Card Issuers to implement Republic Act No. 10870, also known as the Philippine Credit Card Industry Regulations Law.

The Framework for Basic Deposit Accounts, found in BSP Circular No. 992 dated February 1, 2018, was issued, with a view towards promoting account ownership among the unbanked by imposing no minimum maintaining balance and an opening amount of not more than ₱100.00. It also supports the National Retail Payments System, which aims to promote resort to digital payments in the country. On October 5, 2018, BSP issued Memorandum No. M2018-27, prescribing the guidelines on the electronic submission of the updated reports arising from Circular No. 992.

BSP Circular No. 1049, Series of 2019, which implements RA No. 11127 or the National Payment Systems Act, allows banks to function as an Operator of Payment Systems ("OPS"). Banks can register as an OPS by notifying the BSP of their OPS activities.

An OPS is a person that performs any of the following functions:

- Maintains the platform that enables payments or fund transfers, regardless of whether the source and destination accounts are maintained with the same or different institutions;
- Operates the system or network that enables payments or fund transfers to be made through the use of a payment instrument;
- Provides a system that processes payments on behalf of any person or the government; and
- Such other activities similar to the foregoing.

On July 19, 2024, the BSP issued Circular No. 1198 on the Regulatory Framework for Merchant Payment Acceptance Activities. Under this Circular, entities, including banks, are required to secure an authority from the BSP prior to engaging in merchant acquisition in the Philippines or providing the service of accepting and processing payment transactions on behalf of a merchant under an agreement, resulting in a transfer of funds to the merchant. Based on this Circular, banks with concurrent OPS license that are engaged in or intending to engage in merchant payment acceptance activities are expected to adhere to the more stringent requirements between the guidelines under BSP Circular 1198 and the applicable provisions of the MORB.

Anti-Money Laundering Act of 2001

The AMLA, as amended, requires covered institutions such as banks including its subsidiaries and affiliates, to provide for customer identification, record keeping and reporting of covered and suspicious transactions.

On February 15, 2013, Republic Act No. 10365, which took effect on March 7, 2013, expanded the AMLA covered institutions and crimes. Additions to the enumeration of covered persons include jewelry selling agents for transactions in excess of ₱1 million; company service providers, or those who form companies for third parties, hold positions as directors or corporate secretaries for third parties, provide business addresses or engage in correspondence or act as nominee shareholder for others. Likewise, the following persons were added to the list: persons (a) who manage their client's money, security or other assets, or (b) who manage bank or securities accounts, or (c) who organize funds for the creation, operation or management of companies, or (d) who create, operate or manage entities or relationships, or (e) buy and sell business entities. The 2016 Revised Implementing Rules and Regulations of the AMLA was approved by the AMLC on December 21, 2016. On March 15, 2017, the BSP issued BSP Circular No. 950 to amend the MORB in order to effectively implement the provisions of the AMLA, as amended, and the revised implementing rules and regulations of the AMLA, as amended. In July 2017, R-A No. 10927 further expanded the coverage of AMLA to include casinos for a single casino cash transaction involving an amount in excess of ₱5 million or its equivalent in any other currency. In January 2021, RA No. 11521 added two new covered persons who are now required to report covered and suspicious transactions to the Anti-Money Laundering Council – (1) “real estate developers and brokers;” and (2) “offshore gaming operators, as well as their service providers, supervised, accredited or regulated by the Philippine Amusement and Gaming Corporation (“PAGCOR”) or any government agency.” This also provided a new kind of covered transaction -- for real estate developers and brokers, a single cash transaction involving an amount exceeding ₱7.5 million will be a covered transaction.

Covered transactions are single transactions in cash or other equivalent monetary instrument involving a total amount in excess of ₱500,000.00 within one Banking Day, and for covered persons under Section 3(a)(8), a single casino transaction involving an amount in excess of ₱5 million or its equivalent in any other currency.

Suspicious transactions are transactions with covered institutions such as a bank, regardless of the amount involved, where any of the following circumstances exists:

- there is no underlying legal or trade obligation, purpose or economic justification;
- the customer or client is not properly identified;
- the amount involved is not commensurate with the business or financial capacity of the client;
- the transaction is structured to avoid being the subject of reporting requirements under the AMLA;
- there is a deviation from the client's profile or past transaction;
- the transaction is related to an unlawful activity or offence under the AMLA;
- similar or analogous transactions to the above.

Failure by any responsible official or employee of a bank to maintain and safely store all records of all transactions of the bank, including closed accounts, for five years from date of transaction/closure of account shall be subject to a penalty of six months to one-year imprisonment and/or fine of ₱500,000.00.

Malicious reporting of completely unwarranted or false information relative to money laundering transaction against any person is punishable by six months to four years imprisonment and a fine of not less than ₱100,000.00 and not more than ₱500,000.00.

In compliance with the law, banks, their officers and employees are prohibited from communicating directly or indirectly to any person or entity, the media, the fact that a covered or suspicious transaction has been reported or is about to be reported, the contents of the report, or any information relating to such report. Neither may such report be published or aired in any manner or form by the mass media, electronic mail, or other similar devices. A violation of this rule is deemed a criminal act.

Money laundering is committed by any person who, knowing that any monetary instrument or property represents, involves, or relates to the proceeds of any unlawful activity:

- (a) transacts said monetary instrument or property;
- (b) converts, transfers, disposes of, moves, acquires, possesses or uses said monetary instrument or property;
- (c) conceals or disguises the true nature, source, location, disposition, movement or ownership of or rights with respect to said monetary instrument or property;
- (d) attempts or conspires to commit money laundering offenses referred to in paragraphs (a), (b) or (c);
- (e) aids, abets, assists in or counsels the commission of the money laundering offenses referred to in paragraphs (a), (b) or (c) above;
- (f) performs or fails to perform any act as a result of which the person facilitates the offense of money laundering referred to in paragraphs (a), (b) or (c) above; and
- (g) knowingly fails to disclose and file with AMLC any monetary instrument or property required to be disclosed and filed.

Certain inquiries on bank deposits and investments made by the AMLC are exempted from the Bank Secrecy Laws. The AMLC may inquire into or examine deposits or investments, including related accounts, with any banking institution or non-bank financial institution upon order of the Court of Appeals based on an ex parte application in cases of violations of the AMLA, when there is probable cause that such deposits or investments are related to an unlawful activity under Sec 3 (i). However, there are certain activities wherein a court order is not required to examine such accounts.

Under AMLA, banks, as covered persons, are required to report to the AMLC all covered transactions and suspicious transactions within a period of five working days from occurrence thereof, unless the AMLC prescribes a different period not exceeding 15 working days. The Court of Appeals, upon verified ex-parte application by the AMLC and after determination that probable cause exists that any monetary instrument or property is in any way related to an unlawful activity as defined in the AMLA, has the authority to issue a freeze order which shall be effective immediately, and which shall not exceed six months depending upon the circumstances of the case. However, 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. Further, 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.

On December 11, 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 one of their primary duties as covered persons, particularly on transaction reporting.

BSP Circular No. 495 issued on September 20, 2005, as amended by BSP Circular 527 issued on April 28, 2006, required all universal and commercial banks to adopt an electronic money laundering transaction monitoring system by October 14, 2007. The said system should, at the minimum, be able to detect and raise to the bank's attention, transactions and/or accounts that qualify either as "covered transactions" or "suspicious transactions" as defined under AMLA.

BSP Memorandum No. M2012-017 issued on April 4, 2012, as affirmed by BSP Circular No. 950 issued on March 15, 2017 likewise requires all covered banking institutions to comply with the anti-money laundering risk rating system ("**ARRS**"), a supervisory system that aims to ensure that mechanisms to prevent money laundering and terrorist funding are in place and effectively implemented in banking institutions. Under the ARRS, each institution is rated based on the following factors: (a) efficient board of directors and senior management oversight; (b) sound anti-money laundering policies and procedures embodied in a money laundering and terrorist financing prevention program duly approved by the board of directors; (c) robust internal controls and audit; and (d) effective implementation. BSP Circular No. 950, further provides for specific requirements on having a risk-based approach to customer identification by covered institutions, an ongoing monitoring of customers, accounts, and transactions, and a policy of nondiscrimination against certain types of customers.

Institutions that are subject to AMLA are also required to establish and record the identities of their clients based on official documents. In addition, all records of transactions are required to be maintained and stored for a minimum of 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 AMCL Secretariat that the case has been resolved, decided or terminated with finality. Records of closed accounts must also be kept for five years after their closure.

On April 20, 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**"). 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 AML/CFT Strategy. The Guidelines are addressed to all participating government agencies and other entities.

The Mutual Evaluation is a government-wide concern as what will be assessed is the compliance of the Philippines with the Financial Action Task Force Forty Recommendations and the effectiveness of its AML/CFT regime. The entire Mutual Evaluation process spans two (2) years, and will require the support and active participation of various government agencies, including supervisory authorities, law enforcement agencies, and public and private stakeholders. The Philippines will be evaluated by a pool of experts from Financial Intelligence Units from other member-jurisdictions of the Asia-Pacific Group on Money Laundering (“APG”), pursuant to the APG’s membership rules.

On November 22, 2018, the AMLC approved the 2018 Implementing Rules and Regulations of the AMLA prescribing, among others, the guidelines on identifying and recording beneficial ownership. In relation thereto, on January 14, 2019, BSP issued Circular Letter No. CL-2019-002, addressed to all BSFIs of the guidelines issued by the AMLC on digitization of customer records and identification of beneficial owners.

Moreover, the Implementing Rules and Regulations of the Anti-Money Laundering Act of 2001 requires compliance officers which will oversee the Anti-Money Laundering Program. This is also reflected in the amendments to the Revised Corporation Code mandating banks to elect a compliance officer.

On November 17, 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 January 29, 2020, the AMLC issued AMLC Regulatory Issuance (“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 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 November 23, 2020, the BSP issued Memorandum No. M-2020-084, which introduced the money laundering/terrorist/proliferation financing risk assessment system (“MRAS”) for BSP-supervised financial institutions. The MRAS employs a four-point rating scale to categorize the net risk of money laundering, terrorist financing, and proliferation financing, ranging from low, moderate, above average, to high. The MRAS replaces the previous anti-money laundering risk rating system (“ARRS”) that was used for BSFIs. On April 29, 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 January 29, 2021, the AMLA was further amended 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 March 30, 2023, the BSP issued Circular No. 1170 which provided amendments on the regulations relating to the banks’ conduct of customer due diligence. Under this Circular, banks are required to use a risk-based approach in conducting customer due diligence. It provides regulations on electronic Know-Your-Customer (“e-KYC”) using digital identity (“ID”) system.

On July 4, 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 APG 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/CTF 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, CTF, and CPF measures and facilitate the country’s removal from the FATF Grey List.

On February 21, 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 greylist 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.

Revised Corporation Code

The Revised Corporation Code was signed into law on February 20, 2019 and became effective on March 8, 2019. Among the salient features of the Revised Corporation Code are:

- Corporations are granted perpetual existence, unless the articles of incorporation provide otherwise. Perpetual existence shall also benefit corporations whose certificates of incorporation were issued before the effectivity of the Code, unless a corporation, upon a vote of majority of the stockholders of the outstanding capital stock notifies the SEC that it elects to retain its specific corporate term under its current Articles of Incorporation. If the bank's corporate term has expired, an application for the revival of its corporate existence must be accompanied by a favorable recommendation from the BSP.
- A corporation vested with public interest must submit to its shareholders and to the Commission an annual report of the total compensation of each of its directors or trustees, and a director or trustee appraisal or performance report and the standards or criteria used to assess each director, or trustee.
- Banks, quasi-banks, pawnshops, non-stock savings and loan associations ("**NSSLA**"), and corporations engaged in money service business, preneed trust and insurance companies, and other financial required, must have at least twenty percent (20%) independent directors in the Board, in accordance with the Securities and Regulation Code. This requirement also applies to other corporations engaged in businesses imbued with public interest, as may be determined by the Commission.
- The Code allows the creation of a "One Person Corporation". However, it expressly prohibits banks and quasi-banks, preneed, trust, insurance, public and publicly listed companies, among others, from being incorporated as such. This restriction also applies with respect incorporations as Close Corporation.
- 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 votes are deemed available, even if not expressly stated in the corporate by-laws. The shareholders who participate through remote communication or in absentia are deemed present for purposes of quorum. When attendance, participation and voting are allowed by remote communication or in absentia, the notice of meetings to the stockholders must state the requirements and procedures to be followed when a stockholder or member elects either option.
- As to amendments made to the articles of incorporation or by-laws of any bank, banking institution, building and loan association, trust company, insurance company, public utility, and other corporations governed by special laws, the Code requires that a prior certificate of the appropriate government agency to the effect that such articles of incorporation, bylaws or amendments are in accordance with law, must be submitted.
- A favorable recommendation by the appropriate government agency is likewise required for banks or banking institutions, building and loan associations, trust companies, insurance companies, public utilities, and other corporations governed by special laws, before the SEC approves any merger or consolidation; or any voluntary dissolution.
- In case of transfer of shares of listed companies, the SEC 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 SEC.

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.

The Philippine Competition Act

RA No. 10667, or the Philippine Competition Act ("**PCA**") was signed into law on July 21, 2015 and took effect on August 8, 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, by engaging in conduct that would substantially prevent, restrict or lessen competition, such as selling goods or services below cost to drive out competition, imposing barriers to entry or prevent competitors from growing, and setting prices or terms that discriminate unreasonably between customers or sellers or the same goods, subject to certain exceptions.

On June 3, 2016, the PCC issued the IRR of the PCA. Under the IRR, as a general rule, parties to a merger or acquisition are required to provide notification when:

- (a) the aggregate annual gross revenues in, into or from the Philippines, or value of the assets in the Philippines of the ultimate parent entity of the acquiring or the acquired entities exceed ₱1 billion; and
- (b) the value of the transaction exceeds ₱1 billion, as determined in the IRR; while parties to a joint venture transaction shall be subject to the notification requirement if either (a) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱1 billion, or (b) the gross revenues generated in the Philippines by assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱1 billion.

On March 10, 2018, the PCC issued Memorandum Circular No. 18-001 (“**MC No. 18-001**”) to amend Section 3, Rule 4 of the IRR to increase the initial thresholds. Under MC No. 18-001, parties to a merger or acquisition are required to provide notification when: (a) the aggregate annual gross revenues in, into or from the Philippines, or value of the assets in the Philippines of the ultimate parent entity of at least one of the acquiring or acquired entities, including that of all entities that the ultimate parent entity controls, directly or indirectly, exceed ₱5 billion; and (b) the value of the transaction exceeds ₱2 billion, as determined in the 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 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 billion. As provided in MC No. 18-001, the thresholds shall be automatically adjusted commencing on March 1, 2019 and on March 1st of every succeeding year, using as index the Philippine Statistics Authority's official estimate of the nominal GDP 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; notifiable transactions consummated before the effectivity of the memorandum circular; and transactions already subject of a decision by the PCC.

PCC Commission Resolution No. 3-2019 further adjusted the thresholds such that effective March 1, 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 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. On February 11, 2020, the notification thresholds were further adjusted by PCC Commission Resolution No. 02-2-2020 such that effective March 1, 2020, 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 ₱6 billion; and (b) the value of the transaction exceeds ₱2.4 billion, as determined in the 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 ₱2.4 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 ₱2.4 billion.

Violations of the PCA and the IRR have severe consequences. Under the PCA and the IRR, a transaction that meets the thresholds and does not comply with the notification requirements and waiting periods shall be considered void and will subject the parties to an administrative fine of one percent (1%) to five percent (5%) 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 violating prohibitions against anti-competitive agreements and abuse of dominant position. Treble damages may be imposed by the PCC or the courts, as the case may be, where the violation involves the trade or movement of basic necessities and prime commodities.

On September 15, 2017, the PCC published the 2017 Rules of Procedure (“**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 November 23, 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 IRR. The Merger Rules provides, among others, that parties to a merger that meets the thresholds in Section 3 of Rule 4 of the IRR are required to notify the PCC within thirty (30) days from the signing of definitive agreements relating to the notifiable merger.

On May 28, 2019, the PCC approved the Expedited Merger Rules which apply when: (1) there are no actual or potential horizontal or vertical (including complementary) relationship 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% 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, formed purely for the construction and development of a residential and/or commercial real estate development project.

On January 19, 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. Administrative fines may amount to 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 up to ₱2.2 million.

On September 13, 2022, the PCC issued Memorandum Circular No. 18-2022, setting the thresholds for the Size of Party Test and Size of Transaction Test at ₱6,100,000,000 and ₱2,500,000,000, respectively. The PCC, in Commission Resolution No. 04-2023, further adjusted the thresholds for the Size of Party Test and Size of Transaction Test. As of March 1 2023, transactions which meet the Size of Party threshold of ₱7,000,000,000 and Size of Transaction threshold of ₱2,900,000,000 are subject to compulsory notification.

On February 21, 2024, PCC Memorandum Circular 01-2024 revised the mandatory PCC notification thresholds effective March 1 2024, to mergers and acquisitions that exceed the Size of Party and Size of the Transaction thresholds set at ₱7.8 billion and ₱3.2 billion.

The threshold amounts were last modified by the PCC in a press release dated April 15, 2025. Effective March 1, 2025, mergers and acquisitions that exceed the Size of Party and Size of the Transaction thresholds set at ₱8.5 billion and ₱3.5 billion, respectively, are subject to mandatory PCC notification.

Data Privacy Act

RA No. 10173, otherwise known as the Data Privacy Act of 2012 (“**Data Privacy Act**”), was signed into law on August 15, 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.

The Data Privacy Act does not apply to information necessary for banks and other financial institutions under the jurisdiction of BSP to comply with the AMLA and other applicable laws.

Financial Institutions Strategic Transfer Act of 2021

RA No. 11523, otherwise known as the Financial Institutions Strategic Transfer Act (“**FIST**”) was signed into law on February 16, 2021 and became effective on February 17, 2021, to ensure that banks and financial institutions are able to maintain their financial health to cushion the adverse economic impact of COVID-19. The FIST aims to reduce NPLs of banks. It provides certain incentives and privileges which will allow banks and financial institutions (“**FI**”) to easily dispose of their non-performing assets (“**NPA**”) to FIST Corporations (“**FISTC**”).

Under the FIST, the transfer of NPAs from the FI to a FISTC, and from a FISTC to a third party or dation in payment by the borrower or by the third party in favor of the FI or FISTC shall be exempt from the following taxes:

- DST on NPAs and dation in payment;
- Capital gains tax on transfer of lands and other assets treated as capital assets;
- Creditable withholding tax imposed on transfer of lands and other buildings treated as ordinary assets;
- VAT on transfer of NPAs or GRT, whichever is applicable.

FISTC may also avail of a fifty percent (50%) reduced rate on the following:

- Registration and transfer fees on transfer of real estate mortgage and security interest to and from the FISTC;
- Filing fees for any foreclosure proceeding; and
- Land registration fees.

These incentives and privileges shall be available for a period of two (2) years from the date of effectivity of the FIST. In addition, transfer of NPAs from a FISTC to a third party within such two (2)-year period, or within such extended period, or transfers by way of dation in payment by a borrower or by a third party to the FISTC shall enjoy the privileges for five (5) years from the date of acquisition by the FISTC, provided that properties acquired by a FISTC from GFIs or GOCCs which are devoted to socialized or low-cost housing shall not be converted to other uses.

Any loss of an FI as a result of the transfer of an NPA within the two (2)-year period shall be treated as an ordinary loss. Such loss may be carried over for five (5) consecutive taxable years.

On June 23, 2021, the BIR issued RR No. 11-2021 providing for the guidelines and procedures in availing the tax exemptions and privileges granted under the FIST.

Financial Products and Services Consumer Protection Act

RA No. 11765, otherwise known as the Financial Products and Services Consumer Protection Act (“FPSCPA”) was signed into law on May 6, 2022 to afford more protection to consumers of financial products and services by strengthening the powers of financial regulators, such as the BSP, which include market conduct surveillance and examination, market monitoring, adjudication, and enforcement. Such enforcement actions may include the following:

- i. restriction on the ability of a financial service provider to continue to collect excessive or unreasonable interests, fees, or charges;
- ii. disqualification and/or suspension of corporate officers of the supervised financial service provider responsible for violations of the FPSCPA, its implementing rules and regulations, or orders of the financial regulators;
- iii. imposition of fines, suspension, or penalties for any noncompliance with or breach of the FPSCPA, its implementing rules and regulations, or orders of the financial regulators;
- iv. issuance of a cease-and-desist order to the financial service provider without the necessity of a prior hearing, if in the financial regulator's judgment, the act or practice, unless restrained, amounts to fraud or a violation of the FPSCPA and its implementing rules and regulations, or may unjustly cause grave or irreparable injury or prejudice to financial consumers;
- v. suspension of operations of any supervised financial service provider; and
- vi. in addition to the imposed fine, entering an order requiring accounting and disgorgement of profits obtained, or losses avoided, as a result of a violation of the FPSCPA and other existing laws.

In addition to the foregoing, financial service providers, such as banks, are tasked to continuously evaluate their financial products or services to ensure that they are appropriately targeted to the needs, understanding and capacity of both their markets and their clients, which shall include, among others, the conduct of affordability and suitability assessments, the adoption of a clear cooling-off policy, and the provision of pre-payment of loans and other credit accommodations to its borrowers.

On November 28, 2022, the BSP issued Circular No. 1160 amending the MORB to include guidelines on Financial Consumer Protection Framework to implement the FPSCPA.

Electronic Banking Operations

The BSP has prescribed prudential guidelines in the conduct of electronic banking, which refers to systems that enable bank customers to avail themselves of a bank's products and services through a personal computer (using direct modem dial-in, internet access, or both) or a telephone. Applicant banks must prove that they have in place a risk management process that is adequate to assess, control, and monitor any risks arising from the proposed electronic banking activities.

Under BSP Circular No. 542, dated September 1, 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 program for the customers of banks; (d) development of policy on disclosures and transparencies, and the

availability of electronic banking service; and (e) the development of complaint resolution procedure for unauthorized transactions in electronic banking. Private domestic banks with a BSP-approved electronic banking facility may accept payment of fees and other charges of a similar nature for the account of the departments, bureaus, offices and agencies of the government as well as all government-owned and controlled corporations. The funds accepted shall be treated as deposit liabilities subject to existing regulations on government deposits and shall not exceed the minimum working balance of such government entities.

BSP Circular No. 808, dated August 22, 2013, required BSP-supervised institutions to migrate their entire payment network to the more secure Europay, MasterCard and Visa ("**EMV**") chip-enabled cards. In 2014, BSP Circular No. 859 set out the EMV Implementation Guidelines which shall govern the implementation for debit cards in any card-accepting devices/terminals. The deadline set for compliance with the migration to the EMV was initially set for January 1, 2017. However, pursuant to BSP Memorandum No. M-2017-019 issued on June 9, 2017, BSFIs are required to fully comply with the EMV requirement by June 30, 2018. Failure to do so is considered a serious offense and will subject these institutions to monetary sanctions provided under relevant provision of the MORB.

On February 22, 2019, the BSP issued BSP Circular No. 1033 introducing certain amendments to the regulations on electronic banking services and other 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 the prior approval of the BSP to offer EPFS and certain reportorial requirements must be submitted to the BSP.

On November 26, 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. On December 2, 2020, the BSP issued BSP Circular No. 1105 which provides the guidelines on establishment of digital banks. While digital banks have no physical branch or sub-branch or branch-lite unit, digital banks are required to maintain a principal or head office in the Philippines to serve as the main point of contact for stakeholders, including the BSP and other regulators. Pursuant to the accelerated digitalization in the financial industry, the BSP issued Memorandum No. M-2022-016 on March 22, 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 January 21, 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 February 7, 2023, the BSP issued Circular No. 1166 which amended the regulations on electronic money and operations of e-money issuers ("**EMIs**") in the Philippines. The Circular clarified that the e-money issued under closed-loop electronic wallet systems is not covered by the regulations and provides additional guidelines which shall govern the issuance and operations of e-money, including the regulations on minimum systems and controls required from EMIs, consumer protection regulations, minimum disclosure requirements, liquidity requirements and capital requirements, among others.

RPTs

BSP Circular No. 895, dated December 14, 2015, announced the approval of guidelines strengthening oversight and control standards for managing RPTs of banks and their non-bank financial subsidiaries and affiliates. The guidelines highlight that while transactions between and among the entities within the same group create financial, commercial, and economic benefits, higher standards should be applied to protect the interests of all stakeholders. It is emphasized that RPTs are generally allowed for as long as these are done on an arm's length basis referring to the process involved in handling the transaction as well as the economic terms of the transaction.

Under the guidelines, the Board, as an oversight body, shall have overall responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity and in compliance with applicable laws and regulations. The Board is expected to approve an overarching policy on the handling of RPTs that should cover the scope of its RPT policy, guidelines in ensuring arm's length terms, management of conflicts of interest, materiality thresholds and limits, whistle blowing mechanisms, and restitution of losses and other remedies for irregular RPTs. Further, banks that are part of conglomerates are required to create an RPT committee responsible for the continuing identification and review of existing relations between and among businesses and counterparties, and for ensuring that RPTs are processed in the regular course of business, and are priced fairly. The guidelines now explicitly require that the annual reports adequately disclose relevant information on the governance of RPTs and specific details of exposures to related parties.

BSP Circular No. 969, dated August 22, 2017, further codified the BSP's thrust to strengthen oversight over RPTs by enhancing corporate governance guidelines which includes improvement of the duties and responsibilities of the RPT committee of BSFIs.

On April 25, 2019, the Philippine SEC issued Memorandum Circular No. 10, series of 2019 (Rules on Material RPTs for Publicly Listed Companies), mandating additional disclosure/ reportorial requirements for material RPTs amounting to 10% or higher of a publicly listed company's total assets. The circular requires all publicly listed companies to submit to the Philippine SEC a policy on MRPTs. Advisement Reports on MRPTs shall also be filed with the Philippine SEC in accordance with the circular within three calendar days after the execution of a covered transaction. Finally, a summary of MRPTs entered into by the company during the reporting year shall be disclosed in the company's Integrated Annual Corporate Governance Report ("I-ACGR") submitted annually every May 30.

National Payment Systems Act

On October 30, 2018, Congress enacted Republic Act No. 11127, or "An Act Providing for the Regulation and Supervision of Payment Systems". R.A. 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 R.A. No. 11127, all operators of payment systems must register with the BSP. Furthermore, the Philippine SEC can no longer register the charter documents 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 law also grants the BSP the power to designate a new payment system if it determines that an 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 September 9, 2019, the BSP issued BSP Circular No. 1049 which implements the provisions of R.A. No. 11127. It provides that banks which act as payment systems operators must register with the BSP through notification but do not have to separately file an application 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 December 26, 2019 extended the deadline for the registration of existing payment systems operations from October 1, 2019, as originally provided in Circular No. 1049, to April 1, 2020.

The BSP implemented the Payment System Oversight Framework ("PSOF") on July 7, 2020 through the issuance of BSP Circular No. 1089, which addresses the need for comprehensive regulation over payment systems and other financial market infrastructures through cooperative oversight and periodic assessment. The PSOF follows a risk-based oversight approach mainly through the designation of payment systems. In the event that the operator of a 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 September 14, 2021, the BSP mandated the adoption of the Principles for Financial Market Infrastructures ("PFMI") pursuant to the PSOF. The PFMI is a set of international standards designed to strengthen financial market infrastructures and make them more resilient to financial crises and participant defaults.

In line with the phased-in implementation of RA No. 11127, the BSP issued BSP Circular No. 1127 on the Governance Policy for Operators of Payment System on September 17, 2021, which is patterned after its other existing corporate governance standards. It prescribes the regulatory expectations on governance arrangements and standards of OPS as well as the criteria for qualification of its directors and officers.

On March 1 2022, the BSP issued Circular No. 1138 which establishes the regulatory reporting standards for OPS. The circular requires an OPS to establish a reporting system that will aggregate all pertinent 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 the transactions therein are processed through an OPS for eventual settlement) in a timely manner. The circular specifies sanctions that may be imposed on an OPS for non-compliance with reporting requirements. It prescribes non-monetary penalties such as the disqualification or suspension of the Chief Executive Officer for at least one (1) month to one (1) year in case of unsubmitted reports. The top official and members of the board may be disqualified from the industry for further offenses and the Monetary Board will have the power to designate a manager to take over the operations.

The Anti-Financial Account Scamming Act

RA No. 12010, or the Anti-Financial Account Scamming Act ("AFASA"), was signed into law on July 20, 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 provides 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, money muling activities are prohibited, which 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: (i) using, borrowing or allowing the use of a financial account; (ii) opening a financial account under a fictitious name or using the identity or identification documents of another; (iii) buying or renting a financial account; (iv) selling or lending a financial account; or (v) recruiting, enlisting, contracting, hiring, utilizing or inducing any person to perform the acts mentioned in items (i) to (iv) above.

Meanwhile, social engineering schemes is 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: (i) misrepresenting oneself as acting on behalf of an Institution, or making false representations to solicit another person's sensitive identifying information; or (ii) 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: (i) by a group of three (3) or more persons conspiring or confederating with one another; (ii) against three (3) or more persons individually or as a group; (iii) using a mass mailer; or (iv) 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.

On May 30, 2025, the BSP issued Circular No. 1214, series of 2025 or the "Rules of Procedure on the Conduct of Inquiry into Financial Accounts and Sharing of Financial Account Information by the Bangko Sentral ng Pilipinas Pursuant to the Anti-Financial Account Scamming Act (AFASA)". Under the Circular, institutions including banks shall comply with the BSP Consumer Account Protection Office ("CAPO")'s directives relating to disclosure of financial account information on the basis of an inquiry order. For this purpose, institutions must register with the BSP e-mail accounts that will be used to communicate with the CAPO. Any person who knowingly or willfully obstructs, refuses, impedes, or delays the investigation and inquiry of CAPO under the Circular shall be subject to criminal and administrative liabilities under Section 16(f) of the AFASA, Republic Act No. 753, as amended, other existing laws, and BSP rules and regulations.

Taxation for Banks

Banks are subject to regular corporate income tax, based on their taxable income at a tax rate of 25%.

Taxable net income refers to items of income specified under Section 32 (A) of the Tax Code, less the items of allowable deductions under Section 34 of the Tax Code or those allowed under special laws.

Beginning July 1, 2020 and until June 30, 2023, an MCIT rate equivalent to 1% of the gross income of a bank is payable beginning on the fourth year of operations of the bank only if the MCIT is greater than the regular corporate income tax, provided that after June 30, 2023, the rate of MCIT shall be 2% of the gross income as of the end of the taxable year. Any excess MCIT paid over the regular corporate income tax can be carried forward as a tax credit for the three immediately succeeding years. For purposes of MCIT, the bank's gross income means: (a) gross receipts less sales returns, allowances, discounts and cost of services, including interest expense; and (b) income derived from other businesses except income exempt from income tax and income subject to final tax.

Net operating loss carry-over ("NOLCO") can be claimed as deduction against taxable income within three years after NOLCO is incurred. NOLCO incurred for the taxable years 2020 and 2021 can be carried over as a deduction against taxable income for the next 5 consecutive taxable years pursuant to Section 4(bbbb) of the Bayanihan 2 Act and as implemented under RR No. 25-2020.

Since banks are in the regular business of lending, interest income derived by banks from lending activities which is generally considered passive income by non-banks, is considered ordinary income of banks subject to 25% corporate income tax. Banks may also claim interest expense as tax deduction if such expense complies with the requirements laid down in RR No. 13-00. The amount of interest expense which banks may claim as tax deduction shall be reduced by an amount equal to 33% of the banks' interest income that is subject to final tax.

The Tax Code does not allow banks to deduct interest expense or bad debts arising from transactions with the following:

- an individual who directly or indirectly owns more than 50% in value of the outstanding capital stock of the bank;

- a corporation, more than 50% in value of the outstanding capital stock of which is owned directly or indirectly, by or for the same individual in sub-paragraph (a), either as a personal holding company or a foreign personal holding company.

Pursuant to RR No. 05-99 (as amended by RR No. 25-02), in order for banks to claim bad debts as tax deductions, they must submit a written approval from the BSP stating that the indebtedness can be written off from the banks' books of accounts at the end of the taxable year, subject to the final determination by the BIR that bad debts being claimed by the banks are worthless and uncollectible. However, on October 29, 2014, the BSP issued Circular No. 855 which provides that notice of write-off of problem credits shall be submitted in the prescribed form to the BSP through the appropriate Central Point of Contact within thirty (30) business after every write-off with a sworn statement signed by the President of the financial institution or officer of equivalent rank that write-off did not include transactions with DOSRI and was undertaken in accordance with board-approved internal credit policy. Based on the said circular, a notice to the BSP would suffice, and that BSP approval with respect to a write-off of a bad debt not related to a DOSRI transaction, is no longer required.

The banks' passive income such as interest income earned from bank deposits is subject to final withholding tax.

Banks are subject to percentage tax or GRT, which is a tax levied on the gross receipts of banks and non-bank financial intermediaries. On June 13, 2016, the BIR issued Revenue Memorandum Circular No. 62-2016 ("**RMC 62-2016**") seeking to clarify the tax treatment of GRT, which is passed on by banks through contractual stipulations to their clients. RMC 62-2016 provides that if under a contract the GRT is passed on to the client, such passed-on GRT should be treated as gross income characterized as other fees and charges and should itself be subject to a 5% or 7% GRT depending on the provision of the Tax Code covering the type of income or activity.

ROPA of banks are considered as ordinary assets. The income derived from their sale is subject to the regular corporate income tax. Moreover, the transaction is subject to a 6% creditable withholding tax based on the highest among the zonal value, value in the tax declaration or selling price, which shall be withheld by the buyer and can be used as a credit against the bank's taxable income in the year that the gain is realized.

The Tax Code provides for a final tax at fixed rates for the amount of interest, yield or benefit derived from deposit substitutes which shall be withheld and remitted by the payor of the said interest, yield or benefit. This rule does not apply to gains derived from trading, retirement or redemption of the debt instrument which is subject to regular income tax rates, except those instruments with maturity of more than five years as these are exempt from income tax.

To be considered as a deposit substitute, the debt instrument must have been issued or endorsed to 20 or more individuals at any one time at the time of the original issuance in the primary market or at the issuance of each tranche in the case of instruments sold or issued in tranches.

IBCLs with a maturity period of not more than five days and used to cover deficiency in reserves against deposit liabilities are not considered deposit substitutes and are not subject to DST except if they have a maturity of more than seven days.

FCDU transactions with non-residents of the Philippines, offshore banking units ("**OBUs**"), FCDUs of local banks and branches of foreign banks (i.e., offshore income) are tax-exempt, while interest income from foreign currency loans granted by FCDUs of depository banks to residents other than OBUs or other depository banks under the expanded system is subject to 10% final withholding tax. All other income of FCDUs is taxable at regular corporate income tax of 25%.

On December 19, 2017, the President of the Philippines signed into law the TRAIN Law which took effect on January 1, 2018. The TRAIN Law amends certain provisions of the Tax Code and is the first package of the CTRP of the Duterte administration. The relevant changes of the TRAIN Law are incorporated in the section titled "*Philippine Taxation*" of this Offering Circular.

On February 14, 2019, the President signed into law the Tax Amnesty Act of 2019 or Republic Act No. 11213 ("**Tax Amnesty Law**"), as amended by Republic Act No. 11569 and 11956, which was intended to complement the provisions of the TRAIN Law. However, following the President's veto of the provisions granting general tax amnesty for all unpaid national internal revenue taxes for taxable year 2017 and prior years, the current Tax Amnesty Law only grants estate tax amnesty for estates of decedents who died on or before May 31, 2022 and whose estate taxes have remained unpaid or have accrued as at May 31, 2022 and tax amnesty on delinquencies covering all national internal revenue taxes for taxable year 2017 and prior years.

Meanwhile, the second package of the tax reform package, formerly known as CITIRA, and now referred to as the CREATE bill, was passed by the Philippine House of Representatives on September 13, 2019 and was approved by the Ways and Means Committee of the Philippine Senate on February 19, 2020. On February 24, 2021, CREATE was transmitted to the Office of the President for his approval. On March 9, 2020, the bill was also certified as urgent by Philippine President Rodrigo Duterte.

On March 26, 2021, the President signed into law the CREATE Law, lowering the corporate income tax and rationalizing fiscal incentives granted to investors. Under the CREATE Law, the corporate income tax rate for domestic corporations considered as MSMEs under the CREATE Law, shall be taxed at 20%; the income tax rate for other domestic and resident foreign corporations was reduced to 25%; the income tax rate of nonresident foreign corporations was reduced to 25%; the MCIT rate was reduced to 1%, instead of 2%, until June 30, 2023; and the provisions for improperly accumulated earnings tax was repealed. For incentives, the total period of incentive alignment has been increased to 17 years, while other incentives will depend on the industries defined by the National Economic and Development Authority and ability to generate jobs. *See also “Investment Considerations – Risks Relating to the Bank’s Business – Changes to regulations and guidelines issued by regulatory authorities in the Philippines, including the BSP, the Bureau of Internal Revenue (the BIR) and international bodies, including the Financial Action Task Force (the FATF) may have an adverse impact on the Bank.”*

The other tax reform packages that the government hopes to implement include tax amnesty (estate, general), as well as “sin” (e.g., alcohol, gaming), property, passive income and financial intermediaries, and luxury taxes. The fourth package under the CTRP relating to passive income and financial intermediaries proposes to impose (i) a single final withholding tax rate of 15% on interest income regardless of currency, maturity, issuer and other differentiating factors, (ii) a single rate of 15% on interest income, dividends and capital gains, (iii) a single GRT of 5% on banks, quasi-banks, and certain non-bank financial intermediaries across all types of income (lending and non-lending), regardless of the maturity of the instrument, except dividends, equity shares and net income of subsidiaries, (which will remain exempt), (iv) uniform taxation of 2% of premium for pre-need, pension, life and HMO insurance, and (v) gradually reduce the stock transaction tax until it reaches zero by 2026 and removal of the transaction tax on listed and traded debt instruments by 2026, and (vi) exemption of non-monetary documents from DST.

On January 22, 2024, Republic Act No. 11976, otherwise known as the EOPT took effect. The EOPT amended various provisions of the Tax Code relating to the filing and payment of taxes and other provisions intended to protect the taxpayer’s rights, modernize tax administration, and adopt best practices.

On November 8, 2024, RA No. 12066 or the CREATE MORE was passed, amending the CREATE Act. The CREATE MORE establishes a simplified VAT refund system to reduce delays in tax processes. Moreover, the CREATE MORE streamlines processes for projects that are eligible for incentives, by raising the investment capital threshold for approval by investment promotion agencies. Finally, the CREATE MORE also extends the maximum duration of availment of tax incentives from 17 years to 27 years.

On May 29, 2025, the President signed into law Republic Act No. 12214 or the CMEPA, subject to the President’s exercise of line-item veto powers. The law took effect on July 1, 2025.

CMEPA introduces, among others, the following amendments to the Tax Code: (i) expansion of the definition of “securities” to include (a) investment contracts, certificates of interest, or participation in a profit-sharing agreement, such as certificates of deposit for a future subscription, (b) fractional undivided interests in oil, gas, or other mineral rights, (c) certificates of assignment, certificates of participation, trust certificates, voting trust certificates, or similar instruments, and (d) other similar instruments as may be determined by the Securities and Exchange Commission; (ii) removal of the tax exemption enjoyed by taxpayers on interest from long-term deposits and the imposition of a 20% final withholding tax on interest income.; (iii) imposition of a 15% final withholding tax on capital gains from the sale, exchange, or other disposition of shares of stock in a domestic or foreign corporation, except through a local or foreign stock exchange; (iv) a change in the rate of documentary stamp tax for original issuance of shares from ₱2.00 for every ₱200.00 pesos (or fractional part thereof) of the par value, to 75% of 1% of the value of the par value of share such shares of stock; (v) imposition of documentary stamp tax in the amount of 75% of 1% of the value of the transaction for transactions involving selling or transferring bonds, debentures, certificates of stock, or certificates of indebtedness issued in any foreign country; (vi) imposition of documentary stamp tax in the amount of 75% of 1% of the issue price of debt instruments; and (vii) reduction of stock transaction tax from 0.60% to 0.10% for sales of shares of stock listed and traded through the local stock exchange, including transactions regarding shares of domestic corporations through a foreign stock exchange.

Other Regulations

Set out below are other regulations applicable to banks operating in the Philippines:

- *Implementation of Basel III Framework on Liquidity Standards.* On March 10, 2016, the BSP issued BSP Circular No. 905 which provided guidelines for the implementation of Basel III framework on Liquidity Standards as it relates to LCR and Disclosure Standards. The Monetary Board approved the LCR framework with an observation period from July 1, 2016 until the end of 2017, during which banks are required to commence reporting their LCR to the BSP. Beginning on January 1, 2018, the LCR threshold that banks will be required to meet will be 90.0%, which was increased to 100.0% commencing on January 1, 2019. On November 3, 2017, the BSP issued BSP Circular No. 981 which amended the guidelines on liquidity risk management. The banks have until September 1, 2018 to develop or make appropriate changes to their policies and procedures, provided that banks complete a gap analysis of the requirements in BSP Circular No. 981 vis-à-vis their existing risk management systems by March 31, 2018, the result of such gap analysis shall be documented and made

available for review of the BSP. On February 8, 2018, the BSP issued BSP Circular No. 996 which amended the LCR framework and extended its coverage to subsidiaries of universal and commercial banks and quasi banks on both solo (head office and branches/other offices) and consolidated (parent bank and subsidiary financial allied undertakings) bases.

On March 15, 2019, BSP issued Circular No. 1035 to introduce certain amendments to the Basel III LCR Framework and Minimum Liquidity Ratio Framework. Circular No. 1035: (i) extended the observation period of the minimum Basel III LCR requirement to December 31, 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, and (iii) amended the formula for minimum liquidity ratio. The LCR threshold is now at 100%, following the full implementation of the provisions of Circulars 1035. On February 13, 2020, the BSP issued Memorandum No. M-2020-003, and entitled Guidelines on the Electronic Submission of the BASEL III NSFR Report and LCR 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 January 31, 2020, in line with BSP Circular Nos. 1035 and 1034.

- *Implementation of Basel III Framework for Dealing with D-SIBs.* On October 29, 2014, the BSP issued BSP Circular No. 856 which provided the guidelines for implementing the Framework for dealing with D-SIBs under Basel III. Banks deemed as D-SIBs by the BSP will be imposed with capital surcharge to enhance their loss absorbency and thus mitigate any adverse side effects both to the banking system and to the economy should any of the D-SIBs fail. To determine the banks' systemic importance, the BSP will assess and assign weights using the indicator-based measurement approach based on the following: size, interconnectedness, substitutability, and complexity. Depending on how they score against these indicators and the buckets to which the scores correspond, the D-SIBs will have varying levels of additional loss absorbency requirements ranging from 1% to 2.5%. Aside from the added capital pressure, D SIBs may be put at an undue disadvantage compared to G-SIBs given that this framework was patterned for regional/global banks and which may not thus be appropriate for local banks. The phased-in compliance started on January 1, 2017 and will become fully effective on January 1, 2019. On February 12, 2016, the Monetary Board approved the guidelines on the submission of a recovery plan by D-SIBs which shall form part of the D-SIBs' ICAAP submitted to the BSP every March 31 of each year. This was amended by Circular No. 1113, Series of 2021, which now require that the recovery plan be separate and distinct from the ICAAP document. D-SIBs must submit a separate recovery plan every 30th of June of each year, starting June 30, 2022. The submission of the ICAAP document remains to be every 31st of March of each year. The recovery plan identifies the course of action that a D-SIB should undertake to restore its viability in cases of significant deterioration of its financial condition in different scenarios. At the latest, the recovery plan shall be activated when the DSIB breaches the total required CET1 capital, the HLA capital requirement and/or the minimum liquidity ratios as may be prescribed by the BSP. As a pre-emptive measure, the recovery plan should use early warning indicators with specific levels (i.e., quantitative indicators supplemented by qualitative indicators) that will activate the recovery plan even before the above-said breaches happen. This preparatory mechanism, including the operational procedures, monitoring, escalation and approval process should be clearly defined in the recovery plan. The ICAAP document, which includes the first recovery plan, was submitted on June 30, 2016 and will be re-submitted on the 31st of March of each year. On June 17, 2022, the BSP issued Circular No. 1148 on the Amendment to the Framework for D-SIBs which provides that the list of D-SIBs shall now be assessed/determined annually based on latest available data submitted by each bank and shall be subject to approval of the Monetary Board, with the results to be released annually. Banks identified as D-SIBs shall be informed individually, including the bucket they belong to and the individual score for each indicator.
- *Regulations Governing the Derivatives Activities of Banks.* In line with the policy of the BSP to support the development of the Philippine financial market by providing banks and their clients with expanded opportunities for financial risk management and investment diversification through the prudent use of derivatives, BSP Circular No. 594 was issued by the BSP in January 2008 amending the existing regulations governing the derivatives activities of banks and trust entities. Furthermore, BSP Circular No. 688 issued by the BSP in May 2010 prescribes guidelines on the determination of the credit risk weighted assets for banks that will engage in derivatives activities as end-users for hedging purposes and/or under limited-use authority. The BSP also issued BSP Circular No. 891 on November 9, 2015 amending the sales and marketing guidelines for derivatives under the MORB. Banks must ensure that the financial products (e.g., debt and equity securities, hybrid securities, derivatives, securitization structures and similar products with substantial investment characteristics) it recommends to a client are appropriate for that client through a client suitability process which involves obtaining client information, classifying a client according to financial sophistication and risk tolerance, and conducting a suitability review. Any informational or promotional presentation must be undertaken only by personnel who are knowledgeable on the products involved and are qualified based on qualification standards established by the bank. Any disclosures regarding its products and services must meet the bank's standards to ensure that its clients understand the nature of the financial transaction. The BSP may bring about timely corrective actions and impose sanctions on the bank and responsible persons, which may include warning, reprimand, suspension, removal, and disqualification of concerned directors, officers, and employees. In February 2017, BSP issued Memorandum No. M-2017-004 advising all banks and quasi-banks that cross-border derivative transactions involving non-centrally cleared derivatives shall be subject to margin requirements pursuant to the policy framework adopted by the BCBS and the International Organization of

Securities Commissions. The framework requires all covered entities that engage in non-centrally cleared derivatives to exchange initial and variation margins. Assets collected as collateral for margin purposes should be highly liquid and should, after the application of an appropriate haircut, be able to hold their value in time of stress. Variation margin requirements were phased in from September 1, 2016 to March 1, 2017 while initial margin requirements are being phased in from September 1, 2016 to September 1, 2020. As an initial step, banks and quasi-banks should make a determination of the transactions that will be subject to margin requirements implemented in other jurisdictions and assess whether they will be able to comply with the margin requirements implemented in other jurisdictions and assess whether they will be able to comply with the pertinent legal and operational arrangements.

- Amendments to UITF Regulations.* In September 2004, the BSP issued BSP Circular No. 447 (as amended by BSP Circular No. 675 (2009), BSP Circular No. 676 (2009), Memorandum No. M-2010-033 (2010), BSP Circular No. 767 (2012), BSP Circular No. 852 (2014), BSP Circular No. 876 (2015) and BSP Circular No. 907 (2016)) which provided guidelines for the launching and offering of new products to be known as UITFs, and was intended to completely phase out common trust funds or convert them into UITFs within two years from the date of the circular. UITFs are open-ended pooled trust funds denominated in any acceptable currency that are to be operated and administered by trust entities. Eligible assets of UITFs include bank deposits, securities issued by or guaranteed by the Government or the BSP, tradable securities issued by the government of a foreign country, exchange listed securities, marketable instruments that are traded in an organized exchange, loans traded in an organized market, loans arising from repo agreements which are transacted through an exchange recognized by the Philippine SEC and such other tradable investments outlets/ categories as the BSP may allow. These assets are subject to mark-to-market valuation on a daily basis. The stated objective of the BSP is to align the operation of pooled funds with international best practices and enhance the credibility of pooled funds to investors. In January 2008, the BSP issued BSP Circular No. 593 to improve risk disclosure on investing in UITFs, by requiring banks to conduct a client suitability assessment to profile the risk-return orientation and suitability of the client to the specific type of UITF that he wants to participate in, and to update the client's profile at least every three years. In December 2009, the BSP issued BSP Circular No. 676 allowing cross-currency investment for Peso trust, other fiduciary and investment management accounts, including Peso UITFs. In September 2012, the BSP issued BSP Circular No. 767 to include investments by UITFs in units/shares in collective investment schemes as an allowable investment and recognizing UITF structures such as feeder funds and fund-of-funds. On October 21, 2014, the BSP issued BSP Circular No. 852, amending the UITF Regulations. Through this circular, the BSP strengthened the disclosure requirements for UITFs by prescribing the use of the Key Information and Investment Disclosure Statement ("**KIIDS**") and online posting of UITF information via a website. On March 10, 2016, the BSP issued BSP Circular No. 907 to amend certain exposure limits, and allowable investment and valuation on UITFs invested in feeder fund and fund-of-funds. UITF investments shall only be limited to bank deposits and collective investment schemes (e.g., target fund, exchange-traded funds), subject to such target fund not being structured or similarly structured as a feeder fund or a fund-of-funds. On March 14, 2018, BSP issued BSP Circular No. 999 which further amended the allowable investment and valuation of UITFs invested in feeder fund or fund-of-funds. Under the circular, offshore/global funds which use financial derivatives for efficient portfolio management ("**EPM**") may be allowed as target fund, provided that financial derivatives are not extensively or primarily used as an investment strategy of the target fund and that the risk level of the target fund remain consistent with the objective and risk profile of the investor fund. Alternatively, the target fund shall comply with the relevant regulatory requirements of its home jurisdiction as regards the use of financial derivatives for EPM. On September 5, 2022, the BSP issued BSP Circular No. 1152, further amending the UITF Regulations. Under said circular, the BSP provided the requirements and procedure for the creation of a UITF which may require either prior approval from, or notification with, the BSP, as well as the procedure for any subsequent amendment of key features of a fund. Further, the BSP also amended, among others, the operating and accounting methodology of a UITF, the manner by which the fund is operated, depending on the fund classification, and the minimum disclosure requirements to be contained in the KIIDS, the Participating Trust Agreement, and other marketing materials pertaining to a UITF. On August 9, 2023, the BSP issued Circular No. 1178, providing for the guidelines on the selection of benchmarks for UITFs and expanding the information required to be disclosed in the KIIDS.
- Limit on Real Estate Loans of Universal Banks.* In February 2008, the BSP issued BSP Circular No. 600 removing interbank loans from the total loan base to be used in computing the aggregate limit on real estate loans, and amending the inclusions and exclusions to be observed in the computation. On October 10, 2017, the BSP issued BSP Circular No. 976 which approved amendments to the expanded report on the REE of banks, and required the submission of a report on project finance exposures to enable the BSP to gather more granular information regarding these exposures. It also clarified the definition of loans to finance infrastructure projects for public use that are currently exempt from the 20.0% limit on real estate loans. On August 20, 2020, the BSP issued Circular No. 1093, expanding the real estate loan limit for UKBs from 20% to 25%.
- Exemption of Paired ROP Warrants from Capital Charge for Market Risk.* In connection with the Government's Paired Warrants Program, the BSP issued BSP Circular No. 605 in March 2008 exempting warrants paired with ROP Global Bonds from capital charge for market risk to the extent of a bank's holdings of bonds paired with warrants equivalent to not more than 50.0% of total qualifying capital.

-
- *Guidelines on Securities Borrowing and Lending Transactions.* Guidelines by the PSE on SBL govern SBL transactions between local/foreign borrowers and local/foreign lenders. BSP Circular No. 611, Series of 2008, provides guidelines on SBL transactions in the PSE involving borrowings by foreign entities of PSE-listed shares from local investors/lenders. In May 2008, the BSP Monetary Board authorized the issuance of BSP Registration Documents to cover the PSE-listed shares of stock borrowed by foreign entities from local investors and lenders. This will allow foreign borrowers to purchase foreign exchange from the banking system for remittance abroad using the Peso sales proceeds of the borrowed shares including the related income from the SBL transaction, such as rebates or shares in the income earned on the reinvestment of the cash collateral, interest and dividends earned on the Peso denominated government securities and PSE-listed shares used as collateral. On February 10, 2020, the Philippine SEC approved the Implementing Guidelines on Securities Borrowing and Lending and Short Selling that had been proposed by the Capital Markets Integrity Corporation (“CMIC”).
 - *Reclassification of Financial Assets between Categories.* The BSP issued BSP Circular No. 628 dated October 31, 2008, amending BSP Circular No. 626 dated October 23, 2008 and the Resolution of the Monetary Board No. 1423 dated October 30, 2008, which approved the guidelines governing the reclassification of financial assets between categories. Financial Institutions shall be allowed to reclassify all or a portion of their financial assets from “held for trading” or “available for sale” categories to the “available for sale” or “held to maturity” or “unquoted debt securities classified as loans” categories effective July 1, 2008. Any reclassification made in periods beginning on or after November 15, 2008 shall take effect from the date when the reclassification is made.
 - *Taxes.* All banks are subject to certain tax rules specific to financial institutions. In November 2005, the Government increased the GRT, which is applied to a bank’s non-interest income, from 5.0% to 7.0%. On June 30, 2016, the BIR issued RMC 62-2016, seeking to clarify the tax treatment of GRT, which is passed on by banks through contractual stipulations to their clients. RMC 62-2016 provides that if under a contract the GRT is passed on to the client, such passed-on GRT should be treated as gross income and should itself be subject to a GRT of either 5.0% or 7.0%, depending on the provision of the Tax Code covering the type of income or activity. The Tax Code was amended by Republic Act No. 10963, or the TRAIN. Among the amendments to the Tax Code included increasing the rate of documentary DST on debt instruments. All such affected instruments will generally be subject to DST at the rate of one peso and fifty centavos (₱1.50) on each two hundred pesos (₱200.00), or fractional part thereof, of the issue value of such instruments.
 - *Rules and Regulations on the Mandatory Allocation for Agriculture and Agrarian Reform Credit.* In July 2011, the BSP issued BSP Circular No. 736 as a component of the Implementing Rules and Regulations of the Republic Act No. 10000 or the Agri-Agra Reform Credit Act. Aside from retaining the mandatory credit allocation, it also rationalizes the modes of compliance. In addition to direct compliance through loans to qualified borrowers, a list of alternative compliance mechanisms is also provided. On July 20, 2018 and March 3, 2021, the BSP issued BSP Circular Nos. 1009 and 1111 further amending the Rules and Regulations on the Mandatory Credit Allocation for Agriculture and Agrarian Reform Credit. On July 28, 2022, Republic Act No. 11901 or the AFRD lapsed into law, formally repealing Republic Act No. 10000. Republic Act No. 11901 provides that all banking institutions, whether government or private, except newly established banks shall set aside a credit quota, or a minimum mandatory agricultural and fisheries financing requirement of at least 25% of their total loanable funds for a period of five (5) years from the date of commencement of the banks’ operations. The law gives more flexibility to the banks in extending credit to the agriculture and fisheries sectors as it removed the required allocation of credit to agrarian reform beneficiaries (i.e., 10% of banks’ total loanable funds) under Republic Act No. 10000. Republic Act No. 11901 also provides that banks may comply with the mandatory credit requirement by lending to rural community beneficiaries, or may invest in debt securities, and fixed term deposit products and equity securities of rural financial institutions, undertake agricultural value chain financing, and grant agri-business loans to fund agricultural and community-enhancing activities, among others. On June 9, 2023, the BSP issued Circular No. 1174 amending the regulations and prudential reports on the Mandatory Allocation for Agriculture and Agrarian Reform Credit. The Circular provided for amendments to the computation of total loanable funds and the Financial Reporting Package (“FRP”).
 - *Valuations of Government Securities Held by Banks.* In October 2013, the BSP amended the rules on valuations of government securities held by banks to reflect actual market rates, with the guideline applying to both benchmark and non-benchmark securities. Under BSP Circular No. 813, the weighted average of done or executed deals shall be used as the basis for valuation. In the absence of weighted average done deals for benchmark bonds, the simple average bids shall be used. In the absence of both weighted done deals and simple average bids for non-benchmark securities, interpolated yields derived from reference rates in accordance with BSP-approved guidelines shall be used.
 - *Segregation of Customer Funds and Securities Received by Banks.* On August 14, 2015, the BSP issued BSP Circular No. 885 requiring the segregation of customer funds and securities received by banks in the performance of their securities brokering functions. Banks are required to institute adequate risk management systems and controls to ensure protection of customer funds and securities, proper segregation of functions, and prevention of conflict of interest situations that may arise in the conduct of securities brokering activities

within the bank. Banks must also make and keep current books and records relating to customer funds and securities and submit monthly reportorial requirements.

- *Creation of Personal Management Trust.* On August 18, 2016, the BSP issued BSP Circular No. 920 allowing for the creation of the personal management trust (“PMT”), which is a living trust arrangement that seeks to meet the estate planning and asset management needs of individuals. The trustor may or may not nominate a third-party beneficiary. It is supposed to serve as a more flexible tool in the management of an individual’s financial affairs. Upon the effectivity of the circular, all living trust accounts were discontinued and all those that remained valid were automatically considered as PMT.
- *Clearing of Checks via Electronic Presentment.* On September 7, 2016, the BSP issued BSP Circular No. 924, amending the MORB in view of the clearing of checks via electronic presentment, which shall be implemented by the Philippine Clearing House Corporation (“PCHC”). On January 20, 2017, the BSP began the electronic clearing of checks. Under this new system, only digital images of the checks and their electronic payment information shall be required to be transmitted to the paying bank. The clearing time was reduced to just one banking day, as against three banking days previously, since no physical delivery of checks will be needed.
- *Effective Reporting System Generation and Timely Submission of Reports.* On June 26, 2017, the BSP amended the MORB through BSP Circular No. 963, Series of 2017, which issuance instituted governance processes in accordance with the BSP’s expectation that banks establish an effective reporting system generation and timely submission of reports. Said reports must comply with the standards prescribed by the BSP, and the banks that fail to do so (i.e., files an erroneous report, delayed report, or did not submit at all) are meted with certain sanctions that can be aggravated by habitual violations. It further provided that banks had until December 31, 2017 to make the necessary preparations to their systems and processes in order to comply with the new provision. Its full implementation started on January 1, 2018.
- *Additional Requirements for the Issuance of Bonds and Commercial Papers.* On August 9, 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 papers 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 Philippine SEC’s 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 papers. 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.

- *Guidelines on the Adoption of PFRS 9.* On August 14, 2018, the BSP issued Circular No. 1011 which provides guidelines on the adoption of PFRS 9. The Circular provides that where there are differences between the BSP regulation and PFRS 9, as when more than one option is allowed, or certain limits are prescribed, then the option or limit prescribed by the BSP should be adopted. The circular further provides that with respect to the preparation of prudential reports, banks should adopt in all respect the PFRS Accounting Standards, except in the following cases:
 - in preparing consolidated financial statements, only investments in financial allied subsidiaries except insurance subsidiaries shall be consolidated with the financial statements of the parent bank on a line by-line basis, while insurance and non-financial allied subsidiaries shall be accounted for using the equity method. Investments in financial/non-financial allied/non-allied associates and joint ventures shall be accounted for using the equity method in accordance with the provisions of PAS 28;
 - in preparing solo/separate financial statements, investments in financial/nonfinancial allied/non-allied subsidiaries/associates, including insurance subsidiaries/associates, shall be accounted for using the equity method as described in PAS 28; and
 - banks shall recognize adequate and timely allowance for credit losses at all times. In this respect, banks shall adopt the principles provided under the enhanced standards on credit risk management in measuring credit losses in the MORB.
- *Marking to market of financial instruments.* BSP Circular No. 1021 dated November 15, 2018 provides that financial instruments that are required to be classified and measured at fair value, within the scope of PFRS 9

shall be marked-to-market in accordance with the provisions of PFRS 13 on Fair Value Measurement and the related rules and regulations issued by the SEC.

- *Adoption of National Retail Payment System (“NRPS”) Framework.* On November 6, 2017, in line with BSP’s adoption of the NRPS framework consistent with its regulations on risk management, the BSP issued Circular No. 980, which requires BSFIs to ensure that the retail payment systems they participate in demonstrate sound risk management and effective and efficient interoperability. The NRPS framework covers all retail payment-related activities, mechanisms, institutions and users. Under this framework, sound governance shall be performed by a payment system management body (“PSMB”), which is duly recognized and overseen by BSP. In the absence of a PSMB, the functions of providing sound governance to the retail payment system participated in by BSFIs shall be discharged by BSP.
- *Guidelines on Liquidity Risk Management.* On November 3, 2017, the BSP issued Circular No. 981, amending the guidelines on liquidity risk management and the related amendments to the MORB. Among the highlights of the said changes were the additional guidelines relative to Foreign Currency Management, Intraday Liquidity Management, Intragroup Liquidity Management, Collateral Management, Liquidity Stress Testing, Contingency Funding Plans, Factors to Consider in Developing a Funding Strategy, and Factors to Consider in Developing Cash Flow Projections. Banks shall have until September 1, 2018 to develop or make appropriate changes to their policies and procedures, provided that they complete a gap analysis of the requirements of the said BSP Circular vis-a-vis their existing risk management systems by March 31, 2018.
- *Enhanced Guidelines in Information Security Management.* On November 9, 2017, BSP issued Circular No. 982, providing enhanced guidelines on information security risk management of BSFIs in view of the rapidly evolving technology and cyber-threat landscape in which they operate. The amendments highlight the role of the BSFIs’ board and senior management in spearheading sound information security governance and strong security culture within their respective networks. Likewise, BSFIs are mandated to manage information security risks and exposures within acceptable levels through a dynamic interplay of people, policies, processes, and technologies following a continuing cycle (i.e. identify, prevent, detect, respond, recover and test phases). The new guidelines also recognize that BSFIs are at varying levels of cyber-maturity and cyber-risk exposures which may render certain requirements restrictive and costly vis-à-vis expected benefits. Thus, the IT profile classification has been expanded from two to three, namely: “Complex,” “Moderate” and “Simple” to provide greater flexibility in complying with the requirements.
- *Guidelines on the Conduct of Stress Testing Exercises.* On January 4, 2018, BSP issued Circular No. 989, which defined minimum prudential requirements on stress testing and supplement the relevant provisions on stress testing provided under the risk management guidelines that were earlier issued by BSP. It provides that a board of directors should consider the results of stress testing exercises in capital and liquidity planning, in setting risk appetite, and in planning for business continuity management, and, in the case of DSIBs, in developing recovery plans. These expectations are consistent with the earlier issued guidelines on corporate governance under Circular No. 969.
- *Basic Deposit Accounts.* BSP Circular No. 992, issued on February 1, 2018, requires banks to establish a basic deposit account which refers to interest or non-interest-bearing account designed to promote financial inclusion. The basic deposit account shall have an opening amount of not more than ₱100.00 and no minimum maintaining balance but with a maximum balance of not more than ₱50,000.00. If the depositor exceeds the ₱50,000.00 maximum balance, the bank shall convert the basic deposit account to a regular deposit account. The basic deposit account shall have no dormancy charges and has no reserve requirement. On March 1, 2018, the BSP issued Circular No. 998, clarifying the guidelines on the basic security deposit requirements. The circular provides that, as security for the faithful performance of its trust and other fiduciary duties, the basic security deposit shall be at least one percent (1%) of the book value of the total trust, other fiduciary and investment management assets, and at no time shall be less than ₱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 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 February 15, 2019, the BSP issued Circular No. 1032 amending the guidelines on the basic security deposit requirement. The circular provided that the trustee or fiduciary/investment manager shall ensure compliance with the required basic security deposit. Any deficiency must be corrected through the immediate posting of additional securities. Trustees or fiduciary/investment managers shall submit quarterly reports on compliance with the basic security deposit requirement and report on the basic security deposit transactions.
- *Electronic Banking Services and Other Electronic Operations.* On February 22, 2019, the BSP issued BSP Circular No. 1033, which classifies EPFS into basic and advanced and establishes guidelines for the licensing

of EPFS. Further, BSFIs that are licensed to offer funds transfer services shall make these interoperable by participating in automated clearing houses.

- *Reserves against trust and other fiduciary accounts ("TOFA").* BSP Circular No. 1025 dated December 13, 2018 provides that in addition to the basic security deposit, banks authorized to engage in trust and other fiduciary business shall maintain reserves on TOFA-others, except accounts held under (1) administratorship; (2) trust under indenture; (3) custodianship and safekeeping; (4) depository and 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) PERA; (13) legislated and quasi-judicial trust; and (14) specialized institutional accounts under trust.
- *Currency Rate Risk Protection program (CRPP Facility) and the Implementing Guidelines.* On September 24, 2018, and October 5, 2018, the BSP issued Circular No. 1014 and 1015, respectively, revising the guidelines on the CRPP Facility. The CRPP Facility is a non-deliverable USD/PHP forward contract between BSP and a universal/commercial bank in response to the request of bank clients desiring to hedge their eligible foreign currency obligations. Transactions under the CRPP facility are considered part of banks' Generally Authorized Derivatives Activities. Under the CRPP Facility, only the net difference between the contracted forward rate and the prevailing spot rate shall be settled in pesos at maturity of the contract. Should the eligible obligation be denominated in a foreign currency other than the USD, the CRPP contract shall be denominated in USD equivalent using the exchange rate indicated in the BSP Reference Exchange Rate Bulletin on deal date. The BSP shall have supervisory enforcement actions or right to deploy its range of supervisory tools to promote adherence to the requirements set forth in the guidelines. Any violation of the guidelines, including willful delay in the submission, non-submission and/or willful making of a false or misleading statement in the notarized certification required to be submitted therein to the BSP Sections shall constitute grounds for the imposition on the bank of penalties.
- *Adoption of Policy Framework on the Grant of Regulatory Relief to Banks/QBs Affected by Calamities.* On October 10, 2018, the BSP issued Circular No. 1017, which provides the policy framework on the grant of regulatory relief measures to banks/QBs affected by calamities. Under the framework, banks/QBs may avail of the 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.
- *Technology and Cyber-Risk Reporting and Notification Requirements.* On October 31, 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.
- *Amendments to the FX Manual.* On February 5, 2019, the BSP issued Circular No. 1030, which amended provisions of the Manual of Regulations on Foreign Exchange Transactions in furtherance of the BSP's aim of liberalizing the regulations applicable to (among others) inward investments. The issuance expanded the scope of the categories of inward foreign investments such that the presence of control and significant degree of influence between the investor and the investee firm is considered for certain types of investments to be categorized as direct investment or portfolio investment. It also established a grace period to register existing investments that are unregistered as at the effectivity date of the issuance. On August 21, 2021, the BSP issued Circular No. 1124 further amending the FX Manual. Banks are now allowed to sell foreign currency without prior approval from the BSP provided these are used for certain types of activities.
- *Revised Framework on the Selection of External Auditors.* On May 20, 2019, the BSP issued Circular No. 1040, which revised the framework on selection of external auditors for BSFIs in accordance with the cooperative arrangement among the BSP, the Philippine SEC, IC and the PDIC.
- *Rules and Regulations on the Registration of OPS.* On September 9, 2019, Circular No. 1049 was issued approving the rules and regulation on the registration of operators of payment systems to implement Republic Act No. 11127 or the National Payment Systems Act. These rules and regulations form part of the newly created Manual of Regulations for Payment Systems.
- *Guidelines on Voluntary Surrender of a Banking License.* On September 18, 2019, Circular No. 1050 issued the guidelines on voluntary surrender of banking license in case of voluntary dissolution and liquidation, or to convert into a non-bank entity.
- *Amendments to the Prudential Requirements and Guidelines on the Public Offering and Listing of Bank Shares for Universal Banks.* On November 15, 2019, Circular No. 1060 was issued amending the prudential requirements on the public offering and listing of bank shares for universal banks. The amendments are aimed at supplementing the enhanced corporate governance frameworks of the BSP by encouraging dispersed shareholdings on banks.

- *Amendment of the Requirements on the Issuance of LTNCDs, Bonds and Commercial Papers.* On November 26, 2019, Circular 1062 was issued amending the provisions of the MORB to relax certain requirements on the issuance of LTNCDs, Bonds and Commercial Papers. Of note is the amendment expanding the entities that are now prohibited from holding the LTNCDs, Bonds and Commercial Papers. Under the amendments, universal banks or commercial bank that is a related party of the issuing bank, may serve as the underwriter or arranger of the issuance, subject to the following conditions:
 - (a) That there are other third-party underwriters or arrangers that are not related in any manner to the issuing bank;
 - (b) That the objective conduct of the due diligence review is not undermined; and (c) That the appropriate safeguards and controls as provided under Section 136 of the MORB on RPTs shall be instituted to prevent conflict of interest on the said arrangement.

Further, the underwriter or arranger that is a related party of the issuing bank may be a holder of the bonds or commercial papers, provided that it is part of the underwriting agreement.

- *Moratorium on the Issuance of LTNCDs.* On November 15, 2019, BSP Circular No. 1059 amended the Manual imposing an indefinite moratorium on the issuance of LTNCDs beginning January 1, 2021. LTNCDs that have been approved but remain unissued as of December 31, 2020 may still be issued, provided that this is done within the period allowed by the BSP. Requests for authority to issue LTNCDs will only be accepted by the appropriate supervising department of the BSP until September 30, 2020.
- *Report on Intraday Liquidity of Universal and Commercial Banks and their Subsidiary Banks/QBs.* On December 3, 2019, Circular No. 1064 was issued amending the MORB to implement and adopt the report on intraday liquidity for universal banks and their subsidiary thrift banks/quasi-banks. The report is aimed at appropriately monitoring the intraday liquidity position of BSP supervised financial institutions, their sources of intraday liquidity, and their ability to meet payment and settlement obligations on a timely basis under both normal and stressed conditions. The reporting requirements are also intended to facilitate the sound management of intraday liquidity risk as well as provide sufficient understanding and allocation of resources to effectively manage the same.
- *Amendments to Regulations on Financial Audit of Banks.* On February 7, 2020, Circular No. 1074 was issued amending regulations on the financial audit of BSP supervised financial institutions which aim to enhance the quality of information channeled to the supervisory process and ultimately promote fairness, transparency and accuracy in financial reporting. Amendments pertain to changes in prescribed formats of statements in the financial statements, changes in deadline of report submissions to the BSP, new and amended disclosure requirements to the financial statements, among others.
- *Amendments to the Regulations on the Disqualifications and Watchlisting of Directors/ Officers.* On February 18, 2020, Circular No. 1076 was issued to strengthen the disqualification and watchlisting of directors and officers of banks and other financial institutions. The amendments aim to further promote the integrity of the financial system and better protect the interest of the public. The Circular also provides a list of those prohibited to become 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.
- *Correspondent Banking Relationships.* On March 9, 2020, the BSP issued Circular No. 1078, which provides the guidelines on correspondent banking relationships. Correspondent banking refers to the provision of banking services by one bank (the correspondent bank) to another bank (the respondent bank) whose relationship can be domestic or foreign. Under the said guidelines, banks shall perform the applicable customer due diligence on accounts and relationships opened. For existing relationships, the requirements shall be applied upon updating as part of the ongoing monitoring. In addition, by virtue of the arrangements in correspondent banking services wherein the respondent bank is the customer of the correspondent bank, the rules on outsourcing under the MORB shall not apply to correspondent banking relationships.
- *Payment System Oversight Framework.* The Monetary Board, in its Resolution No. 803 dated June 25, 2020, has accredited the Philippine Payments Management, Inc. as payment system management body in accordance with National Payment Systems Act. On July 7, 2020, the BSP issued Circular No. 1089 which provides the payment system oversight framework. Pursuant to the authority granted under the National Payment Systems Act, and Republic Act No. 7653 or the New Central Bank Act, as amended by Republic Act No. 11211, the BSP, through an appropriate oversight department, is responsible for overseeing the national payment system, including the payment system that the BSP owns and operates. Consistent with a risk-based approach that take into consideration both the payment system's risk profile and its impact in the national payment system, the BSP shall perform the following oversight activities: (i) monitor existing and planned payment systems, (ii) assess the national payment system and payment systems against safety, efficiency, and reliability objectives, and (iii) induce change to pursue development and innovation of payment systems.

-
- *Amendments to the Regulations on Investment Management Activities (“IMA”).* On February 4, 2020, the BSP issued Circular No. 1109 which reduced the minimum size of an account, and expanded the securities eligible as investment outlet for commingled funds under investment management. The investment of each of the IMAs in the commingled fund shall at least be ₱100,000.
 - *Restructured Service Fees for Banks’ Deposit and Withdrawal Transactions.* On December 23, 2020, the BSP issued Circular No. 1106 which provided the restructured service fees for banks’ deposit and withdrawal transactions with the BSP, (b) reinstated of the service fees on new and fit banknote withdrawals, (c) provided provisions on rebates, refunds, and incentives for unfit banknote deposits, and (d) imposed a ₱5,000.00 penalty for cancelled withdrawal transactions.
 - *Guidelines on the Establishment of Digital Bank.* On December 2, 2020, the BSP issued Circular No. 1105 which provided guidelines on the establishment of digital banks. It also amended MORB to include Digital Banks as one of the classifications of banks. Existing banks converting to digital banks shall be given a period of three (3) years from approval of the Monetary Board within which to meet the minimum capital requirement and implement the transition plan, including divestment or closure of branches or branch lite units. On September 14, 2022, the BSP issued Circular No. 1154, further amending the MORB to clarify that the three (3)-year capital build-up shall not apply to committed capital infusion of new investors in the converting bank arising from acquisition, purchase/sale, transfer of the converting bank’s shares of stock or other similar arrangements, where such required minimum capital shall be infused before the issuance of the Certificate of Authority to Register with the SEC. Currently, a moratorium on the application for a new digital bank license, including conversion of an existing bank’s license to a digital bank license, has been imposed beginning August 31, 2021 to date, pursuant to BSP Memorandum No. M-2021-046. The moratorium also covers applications for the establishment of other types of banks which will primarily offer financial products and services that are processed end-to end through a digital platform and/or electronic channel.
 - *Amendments to the Regulations on the UITF Marketing Personnel.* On November 24, 2020, the BSP issued Circular No. 1103, as amended by Circular No. 1152 dated September 5, 2022, on the one-year deferment of the certification requirement for UITF Marketing Personnel. The Certification requirement shall be fully implemented beginning year 2023.
 - *Reclassification of Debt Securities Measured at Fair Value to the Amortized Cost Category.* On February 2, 2021, the BSP issued Memorandum No. M-2021-011 which amended the guidelines under Memorandum No. M-2020-022 dated April 8, 2020. It provided that a BSFI which avails of the alternative accounting treatment under these guidelines and intends to revert to PFRS 9 shall classify its outstanding debt securities as of the start of the financial reporting period when such a decision will be made, i.e., January 1, in the case of a BSFI that adopts a calendar year-end reporting period, or as of the first day of its fiscal year, in the case of a BSFI that adopts a fiscal year-end reporting period, as if the classification requirements of PFRS 9 had always been applied to the outstanding debt securities. The cumulative effect of such a reclassification shall be reflected as an adjustment to each affected component of the BSFI’s equity at the start of the relevant financial reporting period in its prudential reports. A BSFI may adopt the alternative accounting treatment under this Memorandum in its audited financial statements: Provided, that this is made in accordance with the provisions of SEC MC No. 32 dated November 17, 2020.
 - *Amendments to the Regulations on Credit Exposure Limits to a Single Borrower and Definition of Capital.* On January 5, 2023, the BSP issued Circular No. 1164 which provided for minimum operational requirements for credit risk transfer agreements to be excluded from the total credit commitment of a bank to a borrower in reckoning compliance with the SBL.
 - *Regulations on Financial Consumer Protection to implement Republic Act No. 11765, otherwise known as the Financial Products and Services Consumer Protection Act.* On November 28, 2022, the BSP issued Circular No. 1160 amending the MORB to provide guidelines on Financial Consumer Protection Framework to implement the FPSCPA. The Framework applies to all financial products or services created, developed, offered or marketed by a BSP. The circular provides for measures to be undertaken by BSIs in order to meet the standards of disclosure and transparency, protection of client information, fair treatment, effective recourse, and protection of consumer assets against fraud and misuse.
 - *Guidelines on Recovery Plan of Banks.* On October 18, 2022, the BSP issued Circular No. 1158, on the “Guidelines on Recovery Plan of Banks”, wherein it requires Philippine banks to adopt a recovery plan which will provide, among others, for early warning indicators and trigger levels (which must be set above the minimum regulatory requirements but below or at more severe levels than the triggers applicable in activating the capital and liquidity contingency plans) for activation of the recovery plan, reporting requirements to the BSP, restoration points, recovery options, preparatory measures and implementation plan, testing and simulation exercises and updating of such recovery plan. The circular recognizes that with respect to foreign bank subsidiaries and branches, such foreign bank branches and subsidiaries may play a role in the recovery options in the group recovery plans or be impacted by their implementation and thus should consider the possible

interactions and impacts of the group-wide recovery plans. The recovery plan shall be subject to annual BSP review.

- *Regulatory Sandbox Framework.* In 2022, BSP issued BSP Circular No. 1153 on the Regulatory Sandbox Framework which applies to all BSFIs, third-party service providers of BSFIs, other BSP-registered institutions, and new players that intend to offer or use an emerging or new technology to deliver financial products/services pertaining to activities that could fall under the regulatory purview of the BSP. Applicants should meet certain eligibility standards to be able to participate in the regulatory sandbox. Each regulatory sandbox shall undergo a four-stage process: Application, Evaluation, Testing, and Exit Stage. Participants shall submit (i) interim and (ii) final reports to the BSP to facilitate monitoring of the progress of the regulatory sandbox and the attendant risks, and assessment of the success of the experimentation. In the test design phase, the BSP and the participant shall agree on the details of the reports to be submitted such as the content, frequency, and schedule of reporting, among others. Participants whose sandbox activities are assessed as successful and whose products or services are deemed fit for public consumption shall be issued an authority to operate. The participant shall formally submit to the BSP an application to operate and offer for public use and consumption the proposed product or service that was subjected to the sandbox activity, including any proposed new regulations or changes to existing regulations.
- *Guidelines on the Integration of Sustainability Principles in Investment Activities of Banks.* On August 23, 2022, the BSP issued Circular No. 1149 which provided for guidelines on prudent conduct of investment activities and the minimum practices that a bank should establish for the management and control of risks associated with its investments. The guidelines cover all of a bank's investments in the trading and banking books, excluding (a) investments that grant control over an enterprise and are accounted for using the equity method, (b) transactions in derivatives involving stand-alone contracts, and (c) receivables arising from repurchase agreements. Under the circular, a bank is mandated to institute a risk management system to manage the risks arising from its investment activities. This system includes having (1) board and senior management oversight; (2) policies, procedures, and limits that provide a framework for managing investment activities; (3) risk measurement, monitoring and management information systems; and (4) internal controls and audit.
- *Amendments to the Ceiling on Interest or Finance Charges for Credit Card Receivables.* On January 19, 2023, the BSP approved Circular No. 1165, which imposed a 36% annual interest rate ceiling on all credit card transactions and a ₱200.00 maximum processing fee in the case of credit card cash advances, except credit card installment loans which shall be subject to a monthly add-on rate not exceeding 1%, subject to review by the BSP every six months.
- *Rules of Procedure for the Consumer Assistance Mechanism.* On March 24, 2023, the BSP issued Circular No. 1169 on the Rules of Procedure for the Consumer Assistance Mechanism, Mediation and Adjudication of Cases in the BSP, pursuant to the FPSCPA. These Rules of Procedure shall govern the consumer assistance mechanism as well as mediation and adjudication of financial consumer complaints in the BSP. The Rules of Court shall not apply except in a suppletory or analogous manner, as may be determined by the Adjudicator.
- *Conduct of Customer Due Diligence.* On March 30, 2023, the BSP issued Circular No. 1170 which provides for amendments to existing rules on the conduct of customer due diligence by banks and non-banks. This includes e-KYC guidelines on the use of digital IDs and other minimum information or documents required for customer identification. BSP defines e-KYC as the use of electronic or digital methods in customer identification and verification process. In conducting customer due diligence, a risk-based approach shall be undertaken depending on the type of customer, business relationship, nature of the product, or transaction/activity.
- *Amendments to the Regulations on Intraday Liquidity Facility.* On November 10, 2023, the BSP issued Circular No. 1181 which provides for amendments to the MORB on the Intraday Liquidity Facility of the BSP. This includes the change of name of the facility from "Intraday Liquidity Facility" to "Intraday Settlement Facility" (ISF) and the automation of the operations of the facility. The operation of the ISF shall be in accordance with Appendix 1 of the Manual of Regulations for Payment Systems.
- *Grant of Additional SBL for Financing Eligible Projects and Zero Percent Reserve Requirement Rate Against Sustainable Bonds.* On December 13, 2023, the BSP issued Circular No. 1185 granting an additional SBL of 15% of net worth on loans, credit accommodation and guarantees for the purpose of financing eligible green or sustainable projects, including transitional activities to decarbonization, and a gradual reduction of the reserve requirement rate from 1% of the first year of effectivity of the circular, to 0% in the succeeding year, effective for another twelve (12) months, against new and outstanding sustainable bonds issued by banks.
- *Amendments to the Guidelines on Disclosures to the Public.* On December 21, 2023, the BSP issued Circular No. 1186 which amended Section 175 of the MORB on public disclosures. This includes amendments to the preparation, submission, and publication of the quarterly balance sheet and consolidated balance sheets, as well as the submission of the annual report. The circular likewise imposes monetary penalties for erroneous, delayed, or unsubmitted reports, and failure to publish the quarterly balance sheet and consolidated balance sheets, as applicable.

TAXATION

Following is a general description of certain Philippine tax aspects of investment by prospective Bondholders. This discussion is based upon Philippine tax laws, in particular the Tax Code, as amended by the TRAIN Law and CREATE Law, its implementing regulations and rulings in effect at the date of this Offering Circular. Subsequent legislative, judicial or administrative changes or interpretations may be retroactive and could affect the tax consequences to the prospective Bondholders.

The tax treatment of a prospective Bondholder may vary depending on such Bondholder's particular situation and certain prospective Bondholders may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be important to a prospective Bondholder.

This general description does not purport to be a comprehensive description of the Philippine tax aspects of investment in the Bonds and no information is provided regarding the tax aspects of acquiring, owning, holding or disposing the Bonds under applicable tax laws of other jurisdictions and the specific tax consequence in light of particular situations of acquiring, owning, holding and disposing the Bonds in such other jurisdictions.

EACH PROSPECTIVE BONDHOLDER SHOULD CONSULT WITH HIS OWN TAX ADVISER AS TO THE PARTICULAR TAX CONSEQUENCES TO SUCH BONDHOLDER OF PURCHASING, OWNING AND DISPOSING OF THE BONDS, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL AND NATIONAL 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.

On March 26, 2021, the President of the Philippines signed into law Republic Act No. 11534, the CREATE Law. The amendments under the CREATE Law include the reduction of the corporate income tax rate for domestic corporations, resident foreign corporations, and non-resident foreign corporations from 30% to 25%. For domestic corporation, the regular corporate income tax rate may be further reduced to 20% depending on the net taxable income and total assets of such domestic corporation. In addition to the reduction of the regular corporate income tax, the rate of the Minimum Corporate Income Tax ("MCIT") was lowered to 2%, and capital gains from sale of shares of stock not traded in the stock exchange by resident and non-resident foreign corporations are now subject to 15% tax rate.

On May 29, 2025, the President signed into law Republic Act No. 12214 or the CPEMA, subject to the President's exercise of line-item veto powers. The law took effect on July 1, 2025.

CMEPA introduces, among others, the following amendments to the Tax Code: (i) expansion of the definition of "securities" to include (a) investment contracts, certificates of interest, or participation in a profit-sharing agreement, such as certificates of deposit for a future subscription, (b) fractional undivided interests in oil, gas, or other mineral rights, (c) certificates of assignment, certificates of participation, trust certificates, voting trust certificates, or similar instruments, and (d) other similar instruments as may be determined by the Securities and Exchange Commission; (ii) removal of the tax exemption enjoyed by taxpayers on interest from long-term deposits and the imposition of a 20% final withholding tax on interest income; (iii) imposition of a 15% final withholding tax on capital gains from the sale, exchange, or other disposition of shares of stock in a domestic or foreign corporation, except through a local or foreign stock exchange; (iv) a change in the rate of documentary stamp tax for original issuance of shares from ₱2.00 for every ₱200.00 pesos (or fractional part thereof) of the par value, to 75% of 1% of the value of the par value of share such shares of stock; (v) imposition of documentary stamp tax in the amount of 75% of 1% of the value of the transaction for transactions involving selling or transferring bonds, debentures, certificates of stock, or certificates of indebtedness issued in any foreign country; (vi) imposition of documentary stamp tax in the amount of 75% of 1% of the issue price of debt instruments; and (vii) reduction of stock transaction tax from 0.60% to 0.10% for sales of shares of stock listed and traded through the local stock exchange, including transactions regarding shares of domestic corporations through a foreign stock exchange.

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 or TRAIN, and Republic Act No. 11534 or the CREATE Law (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.

The Tax Code defines “deposit substitutes” as an alternative form of obtaining funds from the public, other deposits, through the issuance endorsement, or acceptance of debt instruments for the borrower’s own account, for the purpose of relending or purchasing of receivables and other obligations, or financing their own needs or the needs of their agent or dealer. Obtaining funds from the “public” in this instance means borrowing from twenty (20) or more individual or corporate lenders at any one time. The meaning of “at any one time” with respect to borrowings from twenty (20) or more lenders, would mean every transaction executed in the primary or secondary market in connection with the purchase or sale of securities.

The Bonds may be considered as deposit substitutes Issued by Philippine residents with a maturity period of less than five (5) years. As such, interest income arising from the 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 corporation – 25%

The aforementioned 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.

Under the CMEPA, the final withholding tax rate on interest income, will be subject to a uniform rate of 20 per cent (20%), except for non-resident aliens not engaged in trade or business and non-resident foreign corporations, both of whom shall still be subject to a final withholding tax rate of 25 per cent (25%).

TAX EXEMPT STATUS

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 themselves of such exemption or preferential withholding tax rate by submitting the necessary documents. Said Bondholder shall submit:

(i) the following tax documents, in form and substance prescribed by the Issuer, to the Registrar or 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;

(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) With respect to tax treaty relief, (a) prior to the first Interest Payment Date: (1) three (3) originals of the 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 with the proof of receipt by the concerned office of the BIR; (2) one (1) original of the apostilled/consularized Tax Residency Certificate (“TRC”) duly issued by the foreign tax authority of the country of the 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; and (4) three (3) originals of the duly notarized, or apostilled/consularized if executed outside of the Philippines, 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) prior to the payment of subsequent interests due: (1) three (3) originals of the 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 with the proof of receipt by the concerned office of the BIR; and (2) one (1) original of the apostilled/consularized TRC duly issued by the foreign tax authority of the country of the 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, if the validity period of the previously issued TRC has already lapsed; and (c) any other document that the Issuer or PDTC may require from time to time;

(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 (DST)

The Tax Code imposes a DST on all bonds, loan agreements and promissory notes at the rate of ₱1.50 on every ₱200, or fractional part thereof, of the face value of such securities provided that, for debt instruments with terms of less than one year, the DST collected shall be proportionate to the ratio of the number of days of the term of the instrument to 365 days. The DST is collectible wherever the document is made, signed, issued, accepted, or transferred, when the obligation or right arises from Philippine sources, or the property is situated in the Philippines. The Bank has undertaken to pay the DST on the issuance of the Bonds. On July 1, 2025, following the effectivity of CMEPA, documentary stamp tax on all original issuances of debt instruments shall be at the rate of 75% of 1% of the issue price of such debt instrument, provided that for debt instruments with terms of less than 1 year, the DST to be collected shall be a proportional amount in accordance with the ratio of its terms in number of days to 365 days.

There is currently no DST due on a subsequent sale or disposition of the Bonds.

TAXATION ON GAINS OR LOSSES UPON THE SALE OR OTHER DISPOSITION OF THE 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 January 1, 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 (12) 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 twelve (12) months or less, 100% of the gain will be included in the computation of the taxable income.

Gains derived by domestic or resident foreign corporations on the sale or other disposition of the Bonds are included in the computation of taxable income which is subject to a 25% income tax and 20% for domestic SMEs. 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 likewise 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.

Under the Philippine Tax Code, any gain realized from the sale, exchange or retirement of bonds, debentures and other certificates of indebtedness with an original maturity date of more than five years (as measured from the date of issuance of such bonds, debentures or other certificates of indebtedness) (Long-Term Bonds) shall not be subject to income tax. Moreover, 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, upon the effectivity of the CMEPA on July 1, 2025, gains realized from Long-Term Bonds shall now form part of gross income of the taxpayer and therefore subject to Philippine income tax.

VALUE-ADDED TAX AND GROSS RECEIPTS TAX

Gross receipts derived by dealers in securities from the sale of the Bonds in the Philippines shall be subject to 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.

On the other hand, banks and non-bank financial intermediaries performing quasi-banking functions are subject to GRT at the following rates:

- (a) On interest, commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

Maturity period is 5 years or less — 5%

Maturity period is more than 5 years — 1%

- (b) On dividends and equity shares and net income of subsidiaries — 0%

- (c) On royalties, rentals of property, real or personal, profits, from exchange and all other items treated as gross income under the Tax Code — 7%

- (d) On net trading gains within the taxable year on foreign currency, debt securities, derivatives, and other similar financial instruments — 7%

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 — 5%

- (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%

Maturity period is more than 5 years — 1%.

In case the maturity period is shortened thru pre-termination, the maturity period shall be reckoned to end as of the date of pre-termination for purposes of classifying the transaction and the correct rate shall be applied accordingly.

Net trading gains realized within the taxable year on the sale or disposition of the Bonds by banks and nonbank financial intermediaries performing quasi-banking functions shall be taxed at 7%.

ESTATE AND DONOR'S TAX

Beginning January 1, 2018, 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, beginning January 1, 2018, 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 ₱ 250,000.00 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.

DISTRIBUTION AND SALE

Method of Distribution

The Bonds under the Updated Bond Programme will be issued pursuant to the BSP Rules. The issuance of the Bonds is exempt from the registration requirement under the SRC pursuant to Section 9.1(e) of the said law.

The Arrangers and the Selling Agents for each issuance under the Updated Bond Programme are required to comply with all laws, regulations, BSP Rules and directives as may be applicable in the Philippines, including without limitation any BSP rules issued by the BSP, in connection with the offering and purchase of the Bonds and any distribution and intermediation activities, whether in the primary or secondary markets, carried out by or on behalf of the Arrangers or the Selling Agents in connection therewith.

No action has been or will be taken by the Bank, the Arrangers or the Selling Agents in any jurisdiction (other than the Philippines), that would permit a public offering of any of the Bonds, or possession or distribution of this Offering Circular, or any amendment or supplement thereto issued in connection with the offering of the Bonds, in any country or jurisdiction where action for that purpose is required.

Each of the Arrangers and the Selling Agents shall be a third-party in relation to Bank, such that, (i) it has no subsidiary/affiliate relationship with Bank; (ii) it is not related in any manner to Bank as would undermine the objective conduct of due diligence on Bank. The Registrar and Paying Agent and Trustee are likewise third-parties in relation to Bank, such that, (i) they have no subsidiary/affiliate relationship with Bank; (ii) they are not related in any manner to Bank as would undermine their independence.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Selling Agents or any affiliate of the Selling Agents is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Selling Agent or its affiliate on behalf of the Bank in such jurisdiction.

The Bonds are newly issued securities in scripless form for which there currently is no market. A market maker shall be appointed to provide live bids good for the minimum denomination under the Terms and Conditions, and a cumulative trading commitment per trading day, as required under PDEX Trading Rules, Conventions, and Guidelines. The Arrangers and the Selling Agents are not obligated to make a market for the Bonds. Accordingly, no assurance can be given as to the development or liquidity of any market for the Bonds.

The Arrangers and Selling Agents and their respective affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. Each of the Arrangers and the Selling Agents may have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Bank or its subsidiaries, jointly controlled entities or associated companies and may be paid fees in connection with such services from time to time. In the ordinary course of their various business activities, the Sole Arranger, the Arranger and the Selling Agents and their respective affiliates may make or hold (on their own account, on behalf of clients or in their capacity of investment advisers) a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such transactions, investments and securities activities may involve securities and instruments of the Bonds or its subsidiaries, jointly controlled entities or associated companies, including Bonds issued under the Bond Program, may be entered into at the same time or proximate to offers and sales of Bonds or at other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of Bonds. Bonds issued under the Updated Bond Programme may be purchased by or be allocated to the Arrangers, Selling Agents or any of their respective affiliates for asset management and/or proprietary purposes whether or not with a view to later distribution. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

APPLICATIONS TO PURCHASE THE BONDS DURING THE OFFER PERIOD

Applicants may purchase the Bonds under the Updated Bond Programme during the relevant Offer Period for each Series or Tranche by submitting fully and duly accomplished Applications to Purchase (“ATP”) the Bonds, whether originally signed in quadruplicate if manually processed/submitted or triplicate if electronically submitted through the electronic Securities Issue Portal together with all the required attachments and the corresponding payments to the Selling Agent from whom such application was obtained no later than 5:00 p.m. of the last day of the relevant Offer Period. ATPs received after said date or without the required attachments will be rejected. Only ATPs which are accompanied by payment in the form of cash, manager’s checks, debit instructions or such other forms of instructions that are acceptable to the relevant Selling Agent and provided in the ATP, and which cover the entire purchase price shall be accepted. The Issuer and the Arranger reserve the right to adjust the Offer Period as needed.

If the Applicant is an individual, the following documents must also be submitted:

-
- (a) Identification document ("ID") of the Applicant which shall consist of any one of the following valid identification documents bearing a recent photo, and which is not expired: Passport, Philippine Identification Card/National ID, Driver's License, Professional Regulation Commission ID, National Bureau of Investigation Clearance, Police Clearance, Postal ID, Voter's ID, Barangay Certification, Government Service Insurance System e-Card, Social Security System Card, Senior Citizen Card, Unified Multi-Purpose ID, Overseas Workers Welfare Administration ID, OFW ID, Seaman's Book, Alien Certification of Registration/Immigrant Certificate of Registration, Government Office and government-owned and controlled corporation ID, e.g., Armed Forces of the Philippines, Home Development Mutual Fund, Certification from the National Council for the Welfare of Disabled Persons, Department of Social Welfare and Development Certification, Integrated Bar of the Philippines ID, company IDs issued by private entities or institutions registered with or supervised or regulated either by the BSP, SEC or the Insurance Commission, or school ID duly signed by the principal or head of the school (for students who are beneficiaries of remittances/fund transfers who are not yet of voting age);
- (b) Valid tax identification number issued by the BIR;
- (c) For aliens residing in the Philippines or non-residents engaged in trade or business in the Philippines, consularized proof of tax domicile issued by the relevant tax authority of the Applicant; and
- (d) Such other documentary requirements as may be reasonably required by the Bank and Selling Agents in the implementation of its internal policies regarding KYC and AML.

If the Applicant is a corporation, partnership, trust, association or institution, the following documents must also be submitted:

- (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 organizational or charter documents;
- (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) Two (2) fully executed signature cards containing the specimen signatures of the authorized signatories of the Applicant, duly authenticated by the Corporate Secretary or by an equivalent officer(s) who is/are authorized signatory(ies);
- (d) Valid tax identification number issued by the BIR;
- (e) Identification documents of the authorized signatories of the Applicant, as specified in item (a) of the immediately preceding paragraph; and
- (f) Such other documentary requirements as may be reasonably required by the Bank and Selling Agents in the implementation of its internal policies regarding KYC and AML.

Corporate applicants who are claiming tax exemption must also submit the following:

(a) 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 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;
- 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 – (a) prior to the first Interest Payment Date: (1) three (3) originals of the 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 with the proof of receipt by the concerned office of the BIR; (2) one (1) original of the apostilled/consularized Tax Residency Certificate ("TRC") duly issued by the foreign tax authority of the country of the 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; and (4) three (3) originals of the duly notarized, or apostilled/consularized if executed outside of the Philippines, 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) prior to the payment of subsequent interests due: (1) three (3) originals of the 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 with the proof of receipt by the concerned office of the BIR; and (2) one (1) original of the apostilled/consularized TRC duly issued by the foreign tax authority of the country of the 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, if the validity period of the previously issued TRC has already lapsed; and

- Any other document that the Bank or PDTC may require from time to time.

(b) Original of the duly notarized undertaking, in the prescribed form, declaring and warranting its tax-exempt status, that the tax-exemption certificate, ruling or opinion providing for such tax-exempt status has not been revoked or cancelled and that there are no material changes in character, purpose or method of operation of the Bondholder which are inconsistent with the basis of its income tax exemption, or warranting the Bondholder's entitlement to preferential treaty rates, and undertaking to immediately notify the Issuer and the Registrar and Paying Agent of any suspension or revocation of its tax-exempt status or treaty privileges and agreeing to indemnify and hold the Issuer and the Registrar and Paying Agent free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding of the required tax; and

(c) Such other documentary requirements as may be required by the Issuer or the Registrar and Paying Agent as proof of the Applicant's tax-exempt status.

ALLOCATION AND ISSUE OF THE BONDS

Applications to Purchase the Bonds shall be subject to the availability of the Bonds and acceptance by the Issuer. The Arranger, in consultation with the Issuer, reserves the right to accept, reject, scale down or reallocate any Application to purchase the Bonds applied for under the relevant Series or Tranche of Bonds.

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 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 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 be entitled to rely solely on the Final Sales Reports submitted by the Selling Agent to the Registrar. Where PDTC discovers, after Issue Date, any inconsistency between the Final Sales Report and the Application to Purchase submitted by the Bondholder, PDTC reserves the right to rely subsidiarily on the Applications to Purchase, to the extent that the information in the Final Sales Report is noted to be inconsistent with the Application to Purchase. Within seven (7) Banking Days from the Issue Date, the Registrar shall distribute the Registry Confirmations directly to the Bondholders in the mode elected by the Bondholder as indicated in the Application to Purchase. However, if the e-SIP is used, the Registrar shall automatically issue a Registry Confirmation to the Bondholder once endorsed by the Selling Agents.

TRANSACTIONS IN THE SECONDARY MARKET

All secondary trading of the Bonds shall be coursed the trading facilities of PDEX, as applicable, subject to the payment by the Bondholder of fees to the connection with trading on PDEX, and the Registrar. Transfers shall be subject to the procedures of the BSP, the Registrar and PDEX, including but not limited to the guidelines on minimum trading lots, minimum holding denominations, and record dates.

The Bank shall list the Bonds under the Updated Bond Programme in PDEX for secondary market trading. Upon 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 must 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.

For the avoidance of doubt, the minimum denomination for the Bonds as prescribed by the BSP or as may be provided in the relevant Pricing Supplement must be kept at all times. Consequently, no negotiation or secondary trading will be

allowed if the result is that a remaining Bondholder of the Bonds will hold less than the minimum denomination as prescribed or approved by the BSP or as stated in the relevant Pricing Supplement.

No transfers will be effected for a period of two (2) Business Days preceding the due date for any payment of interest on the Bonds, or during the period of two (2) Business Days preceding the due date for the payment of the principal amount of the Bonds.

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 Transfer Form as the case may be, duly accomplished by the transferor Bondholder and endorsed by the PDEX Trading Participant;
- duly accomplished Investor Registration Form of the buyer/transferee as prescribed by the Registrar as well as all supporting documents described for the original issuance of the Bonds as described above (in case of a new holder);
- proof of the qualified tax-exempt status of the transferee, if applicable, and the covering Affidavit of 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
- such other documents that may be required by the Registrar, including those for Non-Trade Transactions.

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

INTEREST AND PRINCIPAL PAYMENT

On the relevant Payment Date, the Registrar shall, upon receipt of the corresponding funds from the Issuer, make available to the Bondholders the amounts due under the Bonds, net of taxes and fees (if any), by way of credits to the bank accounts identified by the Bondholders in the ATP.

SCHEDULE OF REGISTRY FEES

The Registrar and Paying Agent shall be entitled to charge the Bondholders 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 ₱100.00 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 ₱200.00 per transfer. For transfers from a registry account to the depository, the full charge of ₱200.00 per transfer shall be charged to the transferring bondholder.
2. Account Opening Fee of ₱100.00 to be paid upfront by a transferee who has no existing account in the Registry.
3. Such transaction fees as PDTC shall prescribe for effecting electronic settlement instructions received from the PDS Clear System if so duly authorized by a bondholder.

Transfer Fees due to Non-Trade Transactions

1. Transaction Fee of ₱100.00 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 ₱200.00 per transfer.
2. Transaction Fee of ₱500.00 per side plus legal cost, for non-intermediated 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 ₱200.00 to be paid upon each application for a certification request of holding.

-
2. Fee of ₱50.00 to be paid upon each application for a monthly statement of account (in addition to the quarterly statement of account to be issued by the Registrar to each Bondholder free of charge).
 3. Fee of ₱50.00 to be paid upon application for the issuance of a replacement Registry Confirmation for reasons such as mutilated, destroyed, stolen or lost.
 4. The fee for Special Reports varies depending on request.
 - (a) Report without back-up file restoration is subject to a fee of ₱100.00 per request, plus ₱20.00 per page.

Report requiring back-up file restoration is subject to a fee of ₱300.00 per request, plus ₱20.00 per page.

INDEX TO THE FINANCIAL STATEMENTS

AUDITED FINANCIAL STATEMENTS AS OF December 31, 2024 AND 2023 AND FOR THE YEARS ENDED December 31, 2024, 2023, AND 2022

UNAUDITED INTERIM FINANCIAL STATEMENTS AS OF MARCH 31, 2025 AND FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2025 AND 2024

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Philippine Savings Bank
PSBank Center
777 Paseo de Roxas corner Sedeño Street
Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Philippine Savings Bank ("the Bank"), which comprise the statements of condition as at December 31, 2024 and 2023 and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2024, and notes to the financial statements, including material accounting policy information.

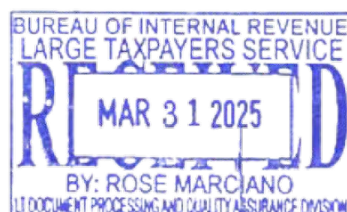
In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2024 and 2023, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2024, in accordance with Philippine 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 Financial Statements* section of our report. We are independent of the Bank in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Adequacy of allowance for credit losses on loans and receivables

The Bank's application of the expected credit loss (ECL) model in calculating the allowance for credit losses on loans and receivables is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Bank'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 and expected recoveries from defaulted accounts, and impact of any financial support and credit enhancements extended by any party; and incorporating forward-looking information (called overlays) in calculating ECL.

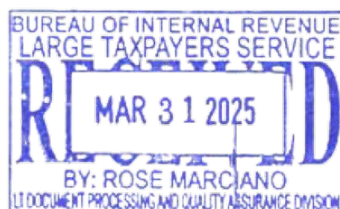
Allowance for credit losses on loans and receivables as of December 31, 2024 amounted to ₱4.0 billion. Provision for credit losses of the Bank in 2024 amounted to ₱199.7 million.

The disclosures related to the allowance for credit losses on loans and receivables are included in Note 15 to the financial statements.

Audit response

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

We (a) assessed the Bank'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 and credit risk management policies and practices in place; (c) tested the Bank'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 Bank's records and considering management's assumptions regarding future collections, advances, extensions, renewals and modifications; (e) tested loss given default by inspecting historical recoveries including the timing, related direct 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 statistical test and corroboration using publicly available information and our understanding of the Bank'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 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 specialists in the performance of the above procedures. We reviewed the completeness of the disclosures made in the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 17-A, SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2024 but does not include the financial statements and our auditor's report thereon. The SEC Form 17-A, SEC Form 20-IS (Definitive Information Statement) 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 financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

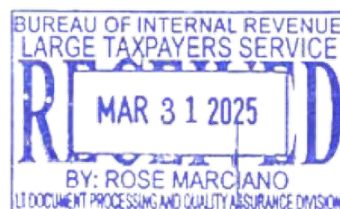
In connection with our audits of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS 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 Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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



Auditor's Responsibilities for the Audit of the Financial Statements

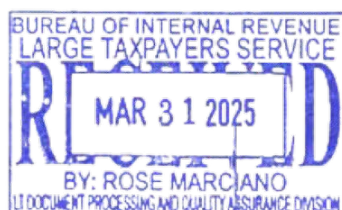
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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



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

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Section 174 of the Manual of Regulations for Banks (MORB) in Note 36 and Revenue Regulations No. 15-2010 in Note 37 to the financial statements is presented for purposes of filing with the Bangko Sentral ng Pilipinas (BSP) and Bureau of Internal Revenue (BIR), respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of Philippine Savings 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 Veronica Mae A. Arce.

SYCIP GORRES VELAYO & CO.



Veronica Mae A. Arce

Partner

CPA Certificate No. 0117208

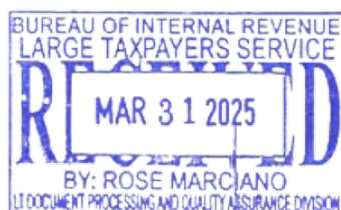
Tax Identification No. 234-282-413

BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026

BIR Accreditation No. 08-001998-153-2024, October 2, 2024, valid until October 1, 2027

PTR No. 10465265, January 2, 2025, Makati City

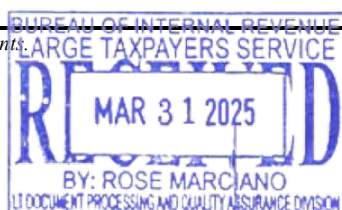
February 20, 2025



PHILIPPINE SAVINGS BANK
STATEMENTS OF CONDITION

	December 31	
	2024	2023
ASSETS		
Cash and Other Cash Items	₱1,781,441,158	₱1,653,554,961
Due from Bangko Sentral ng Pilipinas (Notes 7 and 16)	1,183,357,292	9,745,633,911
Due from Other Banks (Note 29)	1,815,099,522	1,764,229,676
Interbank Call Loans Receivable and Securities Purchased		
Under Resale Agreements (Note 7)	400,000,000	6,989,635,680
Fair Value Through Profit or Loss (FVTPL) Investments (Note 8)	300,599,156	414,298,313
Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) (Note 8)	25,892,190,851	54,359,693,631
Investment Securities at Amortized Cost (Note 8)	30,096,321,212	29,893,168,043
Loans and Receivables (Note 9)	143,823,452,568	122,764,412,226
Investment in a Joint Venture (Notes 10 and 29)	892,036,809	870,178,530
Property and Equipment (Note 11)	3,193,122,788	3,141,957,377
Investment Properties (Note 12)	3,640,816,902	3,934,950,184
Deferred Tax Assets (Note 27)	1,318,508,161	1,257,607,610
Intangible Assets and Goodwill (Note 13)	460,788,987	298,197,196
Other Assets (Note 14)	1,559,037,180	1,345,778,616
	₱216,356,772,586	₱238,433,295,954
LIABILITIES AND EQUITY		
Liabilities		
Deposit Liabilities (Note 16)		
Demand	₱25,535,370,093	₱25,325,912,039
Savings	47,745,087,366	46,463,448,245
Time	91,272,571,647	112,749,125,906
Long-term Negotiable Certificates of Deposits (LTNCD)	—	5,084,217,598
	164,553,029,106	189,622,703,788
Bills Payable (Note 17)	—	271,896,461
Treasurer's, Cashier's and Manager's Checks	1,615,438,412	1,514,065,655
Accrued Taxes, Interest and Other Expenses (Note 18)	2,246,446,273	2,663,537,503
Other Liabilities (Note 19)	3,835,930,737	4,206,934,631
	172,250,844,528	198,279,138,038
Equity		
Common Stock (Note 21)	4,268,594,160	4,268,594,160
Capital Paid in Excess of Par Value (Note 21)	11,418,563,257	11,418,563,257
Surplus Reserves (Note 30)	1,049,164,351	1,046,398,969
Surplus (Note 21)	28,380,653,358	24,455,554,572
Fair Value Reserves on Financial Assets at FVOCI (Note 8)	16,969,885	70,794,457
Remeasurement Losses on Retirement Plan (Note 24)	(1,038,514,167)	(1,129,174,728)
Equity in Remeasurement Gains on Retirement Plan of a Joint Venture (Note 10)	2,421,056	6,178,352
Equity in Hedge Reserves of a Joint Venture (Note 10)	—	9,707,213
Cumulative Translation Adjustment	8,076,158	7,541,664
	44,105,928,058	40,154,157,916
	₱216,356,772,586	₱238,433,295,954

See accompanying Notes to Financial Statements.

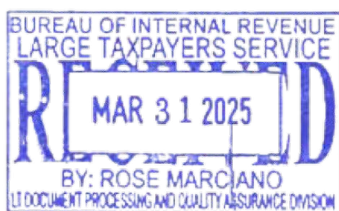


PHILIPPINE SAVINGS BANK

STATEMENTS OF INCOME

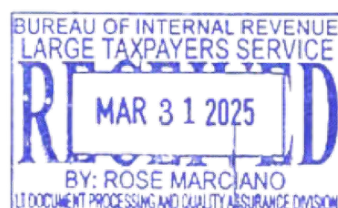
	Years Ended December 31		
	2024	2023	2022
INTEREST INCOME			
Loans and receivables (Note 9)	₱12,853,958,647	₱11,479,459,384	₱10,159,518,037
Financial assets at FVOCI and investment securities at amortized cost (Note 8)	3,272,624,033	4,307,661,938	2,574,256,913
Interbank call loans receivable and securities purchased under resale agreements (Note 7)	347,567,262	419,381,106	195,778,577
Due from Bangko Sentral ng Pilipinas (Note 7)	345,049,668	1,397,792,663	1,254,216,130
FVTPL investments (Note 8)	44,019,337	3,495,728	2,152
Due from other banks	9,906,500	16,474,592	4,101,643
	16,873,125,447	17,624,265,411	14,187,873,452
INTEREST EXPENSE			
Deposit liabilities (Note 16)	4,475,126,221	5,663,176,485	2,811,393,495
Lease liabilities (Note 25)	80,201,164	78,902,394	79,873,386
Bills payable (Note 17)	20,257,951	35,278,313	21,919,260
Bonds payable (Note 17)	–	20,731,311	224,036,617
	4,575,585,336	5,798,088,503	3,137,222,758
NET INTEREST INCOME	12,297,540,111	11,826,176,908	11,050,650,694
Service fees and commission income (Note 22)	1,905,435,829	1,792,742,915	1,732,841,894
Service fees and commission expense (Note 22)	89,857,094	65,583,938	51,309,070
NET SERVICE FEES AND COMMISSION INCOME	1,815,578,735	1,727,158,977	1,681,532,824
OTHER OPERATING INCOME (CHARGES)			
Gain on foreclosure and sale of investment properties - net (Note 12)	420,709,766	361,931,299	801,738,724
Gain on foreclosure and sale of chattel mortgage properties - net (Note 14)	210,233,861	619,971,252	700,214,707
Trading and securities gains - net (Note 8)	14,291,108	5,293,898	2,455,186
Foreign exchange gain (loss) - net	8,280,983	17,627,813	(6,075,489)
Gain on sale of property and equipment (Note 11)	3,864,437	3,895,058	12,079,779
Miscellaneous (Notes 12, 23 and 25)	547,977,595	582,860,969	777,775,337
	1,205,357,750	1,591,580,289	2,288,188,244
TOTAL OPERATING INCOME	15,318,476,596	15,144,916,174	15,020,371,762
OTHER EXPENSES			
Compensation and fringe benefits (Notes 24 and 29)	4,088,667,958	3,811,715,458	3,640,553,887
Taxes and licenses	1,520,977,423	1,672,526,981	1,612,926,317
Depreciation (Note 11)	951,779,982	840,135,760	755,952,721
Security, messengerial and janitorial services	564,124,597	431,238,658	413,011,422
Occupancy and equipment-related costs (Note 25)	355,258,322	338,465,479	344,568,484
Provision for credit and impairment losses (Note 15)	214,439,037	1,451,089,796	1,306,242,436
Amortization of intangible assets (Note 13)	111,357,953	106,212,859	102,850,715
Miscellaneous (Notes 12 and 26)	1,642,264,312	1,690,846,708	2,130,720,607
	9,448,869,584	10,342,231,699	10,306,826,589

(Forward)



	Years Ended December 31		
	2024	2023	2022
INCOME BEFORE SHARE IN NET INCOME OF A JOINT VENTURE AND INCOME TAX	₱5,869,607,012	₱4,802,684,475	₱4,713,545,173
SHARE IN NET INCOME OF A JOINT VENTURE (Notes 10 and 29)	68,022,770	86,340,894	83,418,474
INCOME BEFORE INCOME TAX	5,937,629,782	4,889,025,369	4,796,963,647
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 27)			
Current	820,308,105	1,208,573,920	783,316,316
Deferred	(91,120,738)	(850,610,415)	335,219,072
	729,187,367	357,963,505	1,118,535,388
NET INCOME	₱5,208,442,415	₱4,531,061,864	₱3,678,428,259
Basic/Diluted Earnings Per Share (Note 28)	₱12.20	₱10.61	₱8.62

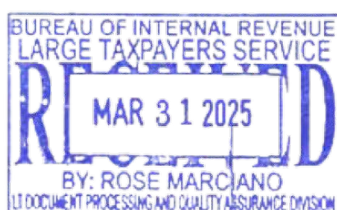
See accompanying Notes to Financial Statements.



PHILIPPINE SAVINGS BANK
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2024	2023	2022
NET INCOME	₱5,208,442,415	₱4,531,061,864	₱3,678,428,259
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Items that recycle to profit or loss in subsequent periods:</i>			
Equity in hedge reserves of a joint venture (Note 10)	(9,707,213)	21,851,794	—
Fair value reserves on debt securities at FVOCI (Note 8)	(60,771,043)	112,803,154	(58,258,709)
Cumulative translation adjustment	534,494	(15,815)	14,514,893
	(69,943,762)	134,639,133	(43,743,816)
<i>Items that do not recycle to profit or loss in subsequent periods:</i>			
Remeasurement gains (losses) on retirement plan (Note 24)	120,880,748	(507,534,607)	(154,184,385)
Equity in remeasurement gains (losses) on retirement plan of a joint venture (Note 10)	(3,757,296)	3,300,960	—
Fair value reserves on equity securities at FVOCI (Note 8)	6,946,472	6,773,938	7,066,184
Income tax effect (Note 27)	(30,220,187)	126,883,652	38,546,096
	93,849,737	(370,576,057)	(108,572,105)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX	23,905,975	(235,936,924)	(152,315,921)
TOTAL COMPREHENSIVE INCOME, NET OF TAX	₱5,232,348,390	₱4,295,124,940	₱3,526,112,338

See accompanying Notes to Financial Statements.

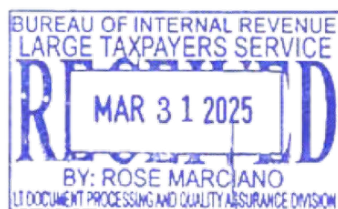


PHILIPPINE SAVINGS BANK

STATEMENTS OF CHANGES IN EQUITY

	Common Stock (Note 21)	Capital Paid in Excess of Par Value (Note 21)	Surplus Reserves (Note 30)	Surplus (Note 21)	Fair Value Reserves on Financial Assets at FVOCI (Note 8)	Remeasurement Losses on Retirement Plan (Note 24)	Equity in Remeasurement Gains on Retirement Plan of a Joint Venture (Note 10)	Equity in Hedge Reserves of a Joint Venture (Note 10)	Cumulative Translation Adjustment	Total
Balance at January 1, 2024	₱4,268,594,160	₱11,418,563,257	₱1,046,398,969	₱24,455,554,572	₱70,794,457	(₱1,129,174,728)	₱6,178,352	₱9,707,213	₱7,541,664	₱40,154,157,916
Total comprehensive income (loss) for the year	—	—	—	5,208,442,415	(53,824,572)	90,660,561	(3,757,296)	(9,707,213)	534,494	5,232,348,390
Cash dividends (Note 21)	—	—	—	(1,280,578,248)	—	—	—	—	—	(1,280,578,248)
Appropriation of surplus to trust business (Note 30)	—	—	2,765,382	(2,765,382)	—	—	—	—	—	—
Balance at December 31, 2024	₱4,268,594,160	₱11,418,563,257	₱1,049,164,351	₱28,380,653,358	₱16,969,885	(₱1,038,514,167)	₱2,421,056	₱—	₱8,076,158	₱44,105,928,058
Balance at January 1, 2023	₱4,268,594,160	₱11,418,563,257	₱1,043,979,211	₱21,207,490,714	(₱48,782,635)	(₱748,523,773)	₱2,877,392	(₱12,144,581)	₱7,557,479	₱37,139,611,224
Total comprehensive income (loss) for the year	—	—	—	4,531,061,864	119,577,092	(380,650,955)	3,300,960	21,851,794	(15,815)	4,295,124,940
Cash dividends (Note 21)	—	—	—	(1,280,578,248)	—	—	—	—	—	(1,280,578,248)
Appropriation of surplus to trust business (Note 30)	—	—	2,419,758	(2,419,758)	—	—	—	—	—	—
Balance at December 31, 2023	₱4,268,594,160	₱11,418,563,257	₱1,046,398,969	₱24,455,554,572	₱70,794,457	(₱1,129,174,728)	₱6,178,352	₱9,707,213	₱7,541,664	₱40,154,157,916
Balance at January 1, 2022	₱4,268,594,160	₱11,418,563,257	₱1,041,471,464	₱18,812,148,450	₱2,409,890	(₱632,885,484)	₱2,877,392	(₱12,144,581)	(₱6,957,414)	₱34,894,077,134
Total comprehensive income (loss) for the year	—	—	—	3,678,428,259	(51,192,525)	(115,638,289)	—	—	14,514,893	3,526,112,338
Cash dividends (Note 21)	—	—	—	(1,280,578,248)	—	—	—	—	—	(1,280,578,248)
Appropriation of surplus to trust business (Note 30)	—	—	2,507,747	(2,507,747)	—	—	—	—	—	—
Balance at December 31, 2022	₱4,268,594,160	₱11,418,563,257	₱1,043,979,211	₱21,207,490,714	(₱48,782,635)	(₱748,523,773)	₱2,877,392	(₱12,144,581)	₱7,557,479	₱37,139,611,224

See accompanying Notes to Financial Statements.

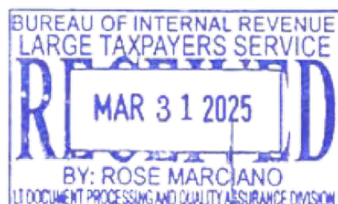


PHILIPPINE SAVINGS BANK

STATEMENTS OF CASH FLOWS

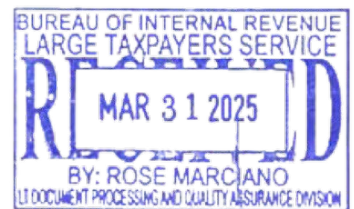
	Years Ended December 31		
	2024	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱5,937,629,782	₱4,889,025,369	₱4,796,963,647
Adjustments to reconcile income before income tax to net cash provided by operations:			
Provision for credit and impairment losses (Note 15)	214,439,037	1,451,089,796	1,306,242,436
Amortization of premium (discount) on financial assets at fair value through other comprehensive income and investment securities at amortized cost	(1,523,050,996)	(2,448,385,863)	(2,414,610,975)
Depreciation (Note 11)	951,779,982	840,135,760	755,952,721
Loss (gain) on foreclosure and sale of:			
Investment properties (Note 12)	(420,709,766)	(361,931,299)	(801,738,724)
Chattel mortgage properties (Note 14)	(210,233,861)	(619,971,252)	(700,214,707)
Accretion of modified loans (Notes 9 and 23)	(40,054,727)	(70,125,024)	(107,007,086)
Amortization of:			
Intangible assets (Note 13)	111,357,953	106,212,859	102,850,715
Debt issuance costs (Note 17)	—	1,550,061	14,836,617
Accretion of lease liabilities (Note 25)	80,201,164	78,902,394	79,873,386
Share in net income of a joint venture (Note 10)	(68,022,770)	(86,340,894)	(83,418,474)
Realized loss (gain) on sale of financial assets at fair value through other comprehensive income (FVOCI) and amortized cost (Note 8)	(24,247,623)	(677,047)	2,499,021
Gain on sale of property and equipment (Note 11)	(3,864,437)	(3,895,058)	(12,079,779)
Fair value loss (gain) on fair value through profit or loss investments (Note 8)	4,980,604	(1,763,136)	8,826
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Fair value through profit or loss investments	108,718,553	(412,499,302)	—
Loans and receivables	(24,882,732,846)	(16,690,866,036)	(2,904,935,501)
Other assets	(25,746,297)	(25,085,315)	127,575,882
Increase (decrease) in:			
Deposit liabilities	(25,069,407,062)	(24,149,496,905)	(3,016,581,657)
Treasurer's, cashier's and manager's checks	101,372,757	499,839,859	420,594,802
Accrued taxes, interest and other expenses	(417,090,487)	157,320,735	821,474,754
Other liabilities	(259,449,880)	(313,236,832)	751,987,887
Cash used in operations	(45,434,130,920)	(37,160,197,130)	(859,726,209)
Income taxes paid	(820,308,105)	(1,208,573,920)	(783,396,863)
Dividends received from joint venture investment (Note 10)	32,699,984	57,599,971	30,059,985
Net cash used in operating activities	(46,221,739,041)	(38,311,171,079)	(1,613,063,087)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of:			
Financial assets at FVOCI	(228,142,099,166)	(522,049,795,033)	(596,433,148,029)
Investment securities at amortized cost	(1,927,310,139)	(890,227,702)	(8,626,650,004)
Property and equipment (Notes 11 and 32)	(319,208,849)	(388,426,720)	(332,839,077)
Other intangible assets (Note 13)	(273,949,744)	(70,519,156)	(75,548,530)
Proceeds from sale/maturities of:			
Financial assets at FVOCI (Note 8)	257,872,403,928	540,298,330,000	588,538,027,651
Chattel mortgage properties (Note 14)	3,243,570,913	2,006,025,248	2,073,485,973
Investment securities at amortized cost	1,955,737,250	1,027,002,760	47,454,850
Investment properties (Note 12)	877,066,090	780,498,824	923,283,316
Property and equipment (Note 11)	37,246,262	51,992,160	99,482,403
Net cash provided by (used in) investing activities	33,323,456,545	20,764,880,381	(13,786,451,447)
CASH FLOWS FROM FINANCING ACTIVITIES			
Settlement of bonds payable	—	(4,650,000,000)	—
Dividends paid (Note 21)	(1,280,578,248)	(1,280,578,248)	(1,280,578,248)
Payment of lease liabilities (Notes 25 and 32)	(522,142,339)	(533,555,296)	(558,996,040)
Settlement of bills payable (Note 32)	(2,447,207,380)	(5,981,745,057)	(8,664,527,168)
Availments of bills payable (Note 32)	2,175,310,919	5,067,696,543	9,850,472,143
Net cash used in financing activities	(2,074,617,048)	(7,378,182,058)	(653,629,313)
Effect of exchange rate differences	12,638	(399)	756,081

(Forward)



	Years Ended December 31		
	2024	2023	2022
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(₱14,972,886,906)	(₱24,924,473,155)	(₱16,052,387,766)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
Cash and other cash items	1,653,554,961	1,930,720,274	2,801,335,279
Due from Bangko Sentral ng Pilipinas - gross (Notes 7 and 16)	9,745,633,911	37,553,243,574	52,428,888,060
Due from other banks - gross	1,765,438,984	2,925,163,812	1,368,023,210
Interbank call loans receivable and securities purchased under resale agreements (Note 7)	6,989,635,680	2,669,609,031	4,532,877,908
	20,154,263,536	45,078,736,691	61,131,124,457
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Cash and other cash items	1,781,441,158	1,653,554,961	1,930,720,274
Due from Bangko Sentral ng Pilipinas - gross (Notes 7 and 16)	1,183,357,292	9,745,633,911	37,553,243,574
Due from other banks - gross	1,816,578,180	1,765,438,984	2,925,163,812
Interbank call loans receivable and securities purchased under resale agreements (Note 7)	400,000,000	6,989,635,680	2,669,609,031
	₱5,181,376,630	₱20,154,263,536	₱45,078,736,691
OPERATIONAL CASH FLOWS FROM INTEREST			
Interest paid	₱4,770,082,953	₱5,786,661,627	₱2,820,995,599
Interest received	15,383,148,818	15,417,117,332	12,782,470,531

See accompanying Notes to Financial Statements.



PHILIPPINE SAVINGS BANK

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Philippine Savings Bank (the Bank) was incorporated in the Philippines primarily to engage in savings and mortgage banking. The Bank's shares are listed in the Philippine Stock Exchange (PSE). The Bank offers a wide range of products and services such as deposit products, loans, treasury and trust functions that mainly serve the retail and consumer markets. On September 6, 1991, the Bank was authorized to perform trust functions.

As of December 31, 2024 and 2023, the Bank had 250 branches. In 2024, the Bank had 272 Automated Teller Machines (ATMs) in the branches (on-site) and 256 in other locations (off-site) bringing its total number of ATMs to 528 as of December 31, 2024 and 556 as of December 31, 2023.

The Bank's original Certificate of Incorporation was issued by the Securities and Exchange Commission (SEC) on June 30, 1959. On March 28, 2006, the Board of Directors (BOD) of the Bank approved the amendment of Article IV of its Amended Articles of Incorporation to extend the corporate term of the Bank, which expired on June 30, 2009, for another 50 years or up to June 30, 2059. This was subsequently approved by stockholders representing at least two-thirds of the outstanding capital stock of the Bank on April 25, 2006. The Amended Articles of Incorporation was approved by the SEC on September 27, 2006.

On April 27, 2010, by majority vote of the BOD and by stockholders representing two-thirds of the outstanding capital stock, the amendment of Article VI of its Amended Articles of Incorporation reducing the number of directors from a maximum of eleven (11) to a maximum of nine (9) has been approved. This was approved by the SEC on August 26, 2010.

On March 24, 2014, the BOD approved Article III of Articles of Incorporation to specify its principal address from Makati City to PSBank Center, 777 Paseo de Roxas corner Sedeño Street, Makati City 1226. The Amended Articles of Incorporation was approved by the SEC on December 22, 2014.

As of December 31, 2024 and 2023, Metropolitan Bank & Trust Company (MBTC), the Bank's ultimate parent, owned 88.38% of the Bank.

2. Material Accounting Policy Information

Basis of Preparation

The accompanying financial statements have been prepared on a historical cost basis except for financial assets and financial liabilities at fair value through profit or loss (FVTPL) and financial assets at fair value through other comprehensive income (FVOCI) that have been measured at fair value. All values are rounded to the nearest peso unless otherwise stated.

The financial statements of the Bank include the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The functional currency of RBU and FCDU is Philippine Peso (PHP) and United States Dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated into their equivalents in Philippine peso (see accounting policy on Foreign Currency Translation). The financial statements of these units are combined after eliminating inter-unit accounts.



The financial statements provide comparative information in respect of the previous period. In addition, the Bank presents an additional statement of condition at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements.

Statement of Compliance

The financial statements of the Bank have been prepared in accordance with PFRS Accounting Standards as adopted by the Financial and Sustainability Reporting Standards Council (FSRSC).

Presentation of Financial Statements

The Bank presents its statements of condition in order of liquidity. An analysis regarding recovery of assets or settlement of liabilities within twelve (12) months after the statement of condition date (current) and more than 12 months after the statement of condition date (non-current) is presented in Note 20.

Financial assets and financial liabilities are offset and the net amount is reported in the statements of condition only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. The Bank assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of solvency or bankruptcy of the Bank and all of the counterparties.

Income and expenses are not offset in the statements of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

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 standards effective as at January 1, 2024. The Bank has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements of the Bank.

- 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 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.
- 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 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.



- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

The amendments specify disclosure requirements to enhance the current requirements, which 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.

Summary of Material Accounting Policies

Foreign Currency Translation

The financial statements are presented in PHP, which is the Bank's functional and presentation currency.

The books of accounts of the RBU are maintained in PHP, while those of the FCDU are maintained in USD.

RBU

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

FCDU

As at reporting date, the assets and liabilities of the FCDU are translated to the Bank's presentation currency (PHP) at the BAP closing rate prevailing at the statement of condition date, and its income and expenses are translated using the exchange rates as at the dates of the transactions. Exchange differences arising on translation to the presentation currency are taken to the statements of comprehensive income under 'Cumulative translation adjustment'. Upon disposal of the FCDU or upon actual remittance of FCDU profits to RBU, the deferred cumulative amount recognized in the statements of comprehensive income is recognized in the statements of income.

Fair Value Measurement

The Bank measures financial instruments, such as FVTPL investments, financial assets at FVOCI and derivative financial instruments, at fair value at each statement of condition date. Also, fair values of financial instruments measured at amortized cost and non-financial assets such as investment properties are disclosed in Note 4.

Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or most advantageous market must be accessible to the Bank.



The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

If an asset or a liability measured at fair value has a bid price and an ask price (e.g., an input from a dealer market), the price between the bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy.

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, due from BSP and other banks, interbank call loans receivable and securities purchased under resale agreements (SPURA) that are convertible to known amounts of cash which have original maturities of three months or less from date of placements and that are subject to an insignificant risk of changes in value. Due from BSP includes the statutory reserves required by the BSP which the Bank considers as cash equivalents as withdrawals can be made to meet the Bank's cash requirements as allowed by the BSP.

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

Purchases or sales of financial assets, except for derivatives, that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. Derivative financial instruments are recognized on a trade date basis. Deposits, amounts due to banks and loans and receivables are recognized when cash is received by the Bank or advanced to the borrowers.



Initial recognition of financial instruments

All financial instruments are initially measured at fair value. Except for financial assets and financial liabilities at FVTPL, the initial measurement of financial instruments includes transaction costs.

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 Bank recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the statement of income. 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 Bank determines the appropriate method of recognizing the 'Day 1' difference amount.

Financial Instruments – Classification and Subsequent Measurement

Financial assets are measured at FVTPL unless these are measured at FVOCI or at amortized cost. Financial liabilities are classified as either financial liabilities at FVTPL or financial liabilities at amortized cost. The classification of financial assets depends on the contractual terms and the business model for managing the financial assets. Subsequent to initial recognition, the Bank may reclassify its financial assets only when there is a change in its business model for managing these financial assets. Reclassification of financial liabilities is not allowed.

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios. As a second step of its classification process, the Bank assesses the contractual terms of financial assets to identify whether they pass the contractual cash flows test (SPPI test).

Investments at FVTPL

Financial assets or financial liabilities at FVTPL

Financial assets and financial liabilities at FVTPL include financial assets and financial liabilities held for trading purposes and derivative instruments.

Financial instruments held-for-trading

Financial assets or financial liabilities held for trading (HFT) are recorded in the statements of condition at fair value. Included in this classification are debt securities which have been acquired principally for the purpose of selling in the near term. Changes in fair value relating to the HFT positions are recognized in 'Trading and securities gains (losses) - net'. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded in other operating income under 'Miscellaneous' when the right to receive payment has been established.

Derivatives recorded at FVTPL

Derivative financial instruments are initially recorded at fair value on the date at which the derivative contract is entered into and are subsequently re-measured at fair value. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as cash flow hedges) are taken directly to the statements of income and are included in 'Foreign exchange gain - net'. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. As of December 31, 2024 and 2023, derivatives consist of Republic of the Philippines (ROP) paired warrants acquired to manage the Bank's foreign currency risk, lower the risk-weighted assets and improve the capital adequacy ratio of the Bank.



Financial assets at FVOCI

Financial assets at FVOCI include debt and equity securities. After initial measurement, investment securities at FVOCI are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of financial assets at FVOCI are excluded, net of tax as applicable, from the reported earnings and are included in the statements of comprehensive income as 'Fair value reserves on financial assets at FVOCI'.

Debt securities at FVOCI are those that meet both of the following conditions: (i) the asset is held within a business model whose objective is to hold the financial assets in order to both collect contractual cash flows and sell financial assets; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the outstanding principal amount. The effective yield component of debt securities at FVOCI, as well as the impact of restatements on foreign currency-denominated debt securities at FVOCI, is reported in the statements of income. Interest earned on holding debt securities at FVOCI are reported as 'Interest income' using the effective interest method. When the debt securities at FVOCI are disposed of, the cumulative gain or loss previously recognized in the statements of comprehensive income is recognized as 'Trading and securities gain (loss) - net' in the statements of income. The ECL arising from impairment of such investments are recognized in other comprehensive income (OCI) with a corresponding charge to 'Provision for credit and impairment losses' in the statements of income.

Equity securities designated at FVOCI are those that the Bank made an irrevocable election to present in OCI the subsequent changes in fair value. Dividends earned on holding equity securities at FVOCI are recognized in the statements of income as 'Dividends' when the right to receive payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Gains and losses on disposal of these equity securities are never recycled to profit or loss, but the cumulative gain or loss previously recognized in the statements of comprehensive income is reclassified to 'Surplus' or any other appropriate equity account upon disposal. Equity securities at FVOCI are not subject to impairment assessment.

Financial assets at amortized cost

Financial assets at amortized cost are debt financial assets that meet both of the following conditions: (i) these are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows; and (ii) the contractual terms give rise on specified dates to cash flows that are SPPI on the outstanding principal amount. This accounting policy relates to the statements of condition captions 'Due from BSP', 'Due from other banks', 'Interbank call loans receivable and SPURA', 'Investment securities at amortized cost' and 'Loans and receivables'.

After initial measurement, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization is included in 'Interest income' in the statements of income. Gains and losses are recognized in statements of income when these investments are derecognized or impaired, as well as through the amortization process. The ECL are recognized in the statements of income under 'Provision for credit and impairment losses'. The effects of revaluation on foreign currency denominated investments are recognized in the statements of income.

Other financial liabilities carried at amortized cost

This category represents issued financial instruments or their components, which are not designated at FVTPL and comprises deposit liabilities, bills payable, subordinated notes, treasurer's, cashier's and manager's checks, accrued interest payable, accrued other expenses payable, accounts payable, bills purchased-contra, other credits, dividends payable, deposits for keys-safety deposit boxes (SDB), and



overages, where the substance of the contractual arrangement results in the Bank 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.

After initial measurement, financial liabilities not qualified and not designated as FVTPL are subsequently measured at amortized cost using the effective interest amortization method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

A compound financial instrument which contains both a liability and an equity component is separated at the issue date. A portion of the net proceeds of the instrument is allocated to the debt component on the date of issue based on its fair value (which is generally determined based on quoted market prices for similar debt instruments). The residual amount determined after deducting the fair value of the debt component is assigned to the equity component. The value of any derivative features (such as a call option) embedded in the compound financial instrument other than the equity component is included in the debt component.

Financial Guarantees and Undrawn Loan Commitments

The Bank issues financial guarantees and loan commitments. Financial guarantees are those issued by the Bank to creditors as allowed under existing rules and regulations whereby it guarantees third party obligations by signing as guarantor in the contract/agreement. Undrawn loan commitments and letters of credit are commitments under which over the duration of the commitment, the Bank 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. These contracts are in the scope of the ECL requirements where the Bank estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to financial guarantees and undrawn loan commitments is recognized in 'Miscellaneous liabilities' under 'Other liabilities'.

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is primarily derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Bank 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;
- the Bank has transferred its rights to receive cash flows from the asset and either:
 - a. the Bank has transferred substantially all the risks and rewards of the asset or
 - b. the Bank has neither transferred nor retained the risks and rewards of the asset but has transferred control over the asset.

Where the Bank 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 is transferred control over the asset, the asset recognized to the extent of the Bank's continuing involvement in the asset. In this case, the Bank also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.



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 Bank could be required to repay.

Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If a write-off is later recovered, any amounts formerly charged are credited to 'Recovery on charged-off assets' under 'Miscellaneous income' in the statements of income.

Modification of financial assets

The Bank derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.

The Bank considers both qualitative and quantitative factors in assessing whether a modification of financial asset is substantial or not. When assessing whether a modification is substantial, the Bank considers the following factors, among others:

- Change in currency
- Introduction of an equity feature
- Change in counterparty
- If the modification results in the asset no longer considered "solely payment for principal and interest"

The Bank also performs a quantitative assessment similar to that being performed for modification of financial liabilities. In performing the quantitative assessment, the Bank considers the new terms of a financial asset to be substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial asset.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Bank recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the statement of income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for ECL measurement purposes, unless the new financial asset is deemed to be originated as credit impaired (POCI).

Financial liabilities

A financial liability (or a part of a financial liability) is derecognized when the obligation under the liability is discharged, 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 or a part of it are substantially modified, such an exchange or modification is treated as a derecognition of the original financial liability and the recognition of a new financial liability, and the difference in the respective carrying amounts is recognized in the statement of income.



Repurchase and Reverse Repurchase Agreements

Securities sold under agreements to repurchase (SSURA) at a specified future date ('repos') are not derecognized from the statements of condition as the Bank retains substantially all the risks and rewards of ownership. The corresponding cash received, including accrued interest, is recognized in the statements of condition as a loan to the Bank under 'Bills payable', reflecting the economic substance of such transaction.

Conversely, SPURA at a specified future date ('reverse repos') are not recognized in the statements of condition. The consideration paid, including accrued interest, is recognized in the statements of condition as SPURA, and is considered 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 amortization method.

Reclassification of Financial Assets

The Bank reclassifies its financial assets when there is a change in its business model for managing financial assets. A change in business model occurs when the Bank either begins or ceases to perform an activity that is significant to its operations. The Bank applies the reclassification prospectively from the reclassification date and does not restate any previously recognized gains, losses or interest.

Impairment of Financial Assets

PFRS 9 requires the Bank to record ECL for all loans and other debt financial assets not classified as at FVTPL, together with loan commitments and financial guarantee contracts.

Expected credit loss methodology

ECL represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The objective is to record lifetime losses on all financial instruments which have experienced a significant increase in credit risk (SICR) since their initial recognition. As a result, ECL allowances are now measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a SICR since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that result from all possible default events over the expected life of a financial instrument. In comparison, the previous incurred loss model recognizes lifetime credit losses only when there is objective evidence of impairment.

In select circumstances, accounts are individually assessed to ensure that provisions are appropriate and adequate. Manual loan classification reviews additional qualitative factors and prescribes much higher provisions that is based on portfolio historical experience.

Staging assessment

For non-credit-impaired financial instruments:

- Stage 1 is comprised of all non-impaired financial instruments which have not experienced a SICR since initial recognition. The Bank recognizes a 12-month ECL for Stage 1 financial instruments.
- Stage 2 is comprised of all non-impaired financial instruments which have experienced a SICR since initial recognition. The Bank recognizes a lifetime ECL for Stage 2 financial instruments.



For credit-impaired financial instruments:

- Financial instruments are classified as Stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The ECL model requires that lifetime ECL be recognized for impaired financial instruments.

Definition of “default” and “cure”

As a part of a qualitative assessment of whether a customer is in default, the Bank considers a variety of instances that may indicate unlikelihood to pay. The Bank’s definition of default is aligned with the non-performing loan criteria as prescribed in BSP Circular No. 941. Defaults refer to loans, investments, receivables, or any financial asset, even without any missed contractual payments, that satisfy any of the following conditions (1) impaired under existing accounting standards, (2) classified as doubtful or loss, (3) in litigation, (4) 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 ninety (90) days from contractual due date, or accrued interests for more than ninety (90) days have been capitalized, refinanced, or delayed by agreement. Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained. Defaults are characterized by financial assets that have objective evidence of impairment at the reporting date and as such classified under Stage 3 ECL treatment.

An instrument is considered to be no longer in default, i.e., to have cured, when it no longer meets any of the default criteria above and there is sufficient evidence to support full collection thru payments received for at least 6 months. Cured accounts are classified under Stage 1 ECL treatment.

Significant increase in credit risk (SICR)

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in probabilities of default and qualitative factors, including a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Bank’s quantitative models, the borrower or counterparty’s credit rating has deteriorated by at least 2 notches. On the other hand, if based on the Bank’s internal credit assessment, the borrower or counterparty is determined to require close monitoring or with well-defined credit weaknesses, then credit risk may have significantly increased as well. Moreover, if contractual payments are more than 30 days past due threshold, the credit risk is deemed to have increased significantly since initial recognition. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which amortized payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, the Bank shall revert to recognizing a 12-month ECL.

ECL parameters and methodologies

ECL is a function of the probability of default (PD), exposure at default (EAD) and loss given default (LGD) with each of the parameter independently modelled.

The PD represents the likelihood that a credit exposure will not be repaid and will go into default in either a 12-month horizon for Stage 1 or lifetime horizon for Stage 2. The PD for each individual instrument is modelled based on historical data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Bank segmented its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based



on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio.

EAD is modelled on historical data and represents an estimate of the outstanding amount of credit exposure at the time a default may occur. For off-balance sheet and undrawn amounts, EAD includes an estimate of any further amounts to be drawn at the time of default. LGD is the amount that may not be recovered in the event of default and is modelled based on historical cash flow recovery and reasonable and supportable information about future economic conditions, where appropriate. LGD takes into consideration the amount and quality of any collateral held.

Economic overlays and multiple economic scenarios

The Bank incorporates economic overlays into the measurement of ECL to add a forward-looking risk measure parallel to multiple future macroeconomic atmosphere expectations. A broad range of economic indicators were considered for the economic inputs, such as GDP, GIR change, CPI change, PSE indices, foreign exchange rates and other BSP statistical indicators. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To address this, quantitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The Bank's loans and receivables consist of different portfolios, such as consumption, real estate, commercial and personal loans, as well as other receivables (e.g., sales contract receivables). In compliance with PFRS 9, the Bank developed ECL parameters and methodologies for each portfolio, using historical data as well as forward-looking inputs and assumptions.

Restructured loans

In certain circumstances, the Bank modifies the original terms and conditions of a credit exposure to form a new loan agreement or payment schedule. The modifications can be given depending on the borrower's or counterparty's current or expected financial difficulty. The modifications may include, but are not limited to, changes in maturity date, principal amount from capitalization of accrued interest, terms and conditions from conversion/consolidation or interest rates/repricing cycle that results in an extension in the loan maturity. Distressed restructuring with indications of unlikeliness to pay are categorized as impaired accounts and are initially moved to Stage 3.

The Bank implements a curing policy for restructured accounts compliant with BSP Circular No. 1011. Restructured accounts that have exhibited improvements in creditworthiness may be moved from Stage 3 after a total of one-year probation period. These accounts are transferred to Stage 2 after six months of full payments and consequently transferred to Stage 1 after making the next six months of full payments.

Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subjected to an individual or collective impairment assessment, calculated using the loan's original EIR if the original loan has a fixed interest rate and the current repriced rate if the original loan is repriceable. The difference between the recorded value of the original loan and the present value of the restructured cash flows, discounted at the applicable interest rate, is recognized in 'Provision for credit and impairment losses' in the statements of income.

Investment in a Joint Venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.



The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Bank's investment in its joint venture is accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Bank's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The statement of income reflects the Bank's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Bank's OCI. In addition, when there has been a change recognized directly in the equity of the joint venture, the Bank recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Bank and joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Bank's share of profit or loss of a joint venture is shown on the face of the statement of income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of a joint venture are prepared for the same reporting period as the Bank. The length of the reporting period is the same from period to period. When necessary, adjustments are made to bring the accounting policies in line with those of the Bank.

After application of the equity method, the Bank determines whether it is necessary to recognize an impairment loss on its investment in its joint venture. At each statement of condition date, the Bank determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Bank calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, then recognizes the loss as 'Share in net income of a joint venture' in the statements of income.

Upon loss of joint control over the joint venture, the Bank measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Property and Equipment

Land is stated at cost less any impairment in value, while depreciable properties, including building, furniture, fixtures and equipment, and leasehold improvements, are stated at cost less accumulated depreciation and any accumulated impairment losses. The initial cost of property and equipment consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been put into operation, such as repairs and maintenance, are normally charged against profit or loss in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property and equipment.



Depreciation is calculated using the straight-line method to write down the cost of the property and equipment to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

Buildings	25-50 years
Furniture, fixtures and equipment	3-5 years, depending on the type of assets
Leasehold improvements	5 years or the term of the related lease, whichever is shorter

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year-end to ensure that these are consistent with the expected pattern of economic benefits from the items of property and equipment.

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

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the asset is written down to its recoverable amount.

Leases

Bank as lessee

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i. Right-of-use assets

The Bank recognizes right-of-use assets (included in 'Property and Equipment') at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and estimated useful lives of the assets as follows:

Office space and warehouses	1 to 20 years
ATM space	1 to 3 years

ii. Lease liabilities

At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate. Variable lease



payments that do not depend on an index or a rate are recognized as expense (unless they are incurred to produce inventories) in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Bank uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Bank recognizes right-of-use assets and lease liabilities, except for short-term leases and leases of low-value assets. The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities are recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Determining the lease term of contracts with renewal options

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that are within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Bank's lease liabilities are included in 'Other Liabilities'.

iii. Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to its short-term leases of office equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of ATMs and office equipment that are considered of low value (i.e., ₱250,000 and below). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Investment Properties

Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at the fair value of the asset acquired unless the fair value of such asset cannot be measured, in which case the investment property acquired is measured at the carrying amount of the asset given up. The difference between the fair value of the asset received and the carrying amount of the asset given up is recorded as 'Gain on foreclosure of real assets and other properties acquired' under 'Gain on foreclosure and sale of investment properties'. Foreclosed properties are classified under investment properties from foreclosure date. Expenditures incurred after the investment properties are recognized, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred.

Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation and impairment in value, except for land which is stated at cost less impairment in value.



Depreciation is calculated using the straight-line method over the remaining useful lives from the time of acquisition of the investment properties. The estimated useful life of building and condominium units ranges from 10 to 40 years.

Investment properties are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of income in 'Gain on foreclosure and sale of investment properties - net' in the year of retirement or disposal.

Transfers are made 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. Transfers are made from 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.

Chattel Mortgage Properties

Chattel mortgage properties comprise of repossessed vehicles. Chattel mortgage properties are stated at cost less accumulated depreciation and impairment in value. Chattel mortgage properties acquired are initially recognized at fair value. Depreciation is calculated using the straight-line method over the remaining useful lives from the time of acquisition of the vehicles. The useful lives of chattel mortgage properties are estimated to be five years.

Chattel mortgage properties are derecognized when they have either been disposed of or when the chattel mortgage property is permanently withdrawn from use and no future benefit is expected from its disposal.

Any gains or losses on disposal of chattel mortgage properties are recognized in the statements of income under 'Gain (loss) on foreclosure and sale of chattel mortgage properties- net' in the year of disposal.

Intangible Assets

The Bank's intangible assets include branch licenses and computer software. An intangible asset is recognized only when the cost can be measured reliably, and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statements of income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and they are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statements of income under 'Amortization of intangible assets'.



Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit (CGU) level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

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

Branch licenses

Branch licenses arise from the acquisition of branches from local banks and licenses to operate new branches from the BSP. Branch licenses have indefinite useful lives and are tested for impairment on an annual basis.

Software costs

Software costs are carried at cost less accumulated amortization and any impairment in value. Given the history of rapid changes in technology, computer software are susceptible to technological obsolescence. Therefore, it is likely that their useful life is short. Software costs are amortized on a straight-line basis over five years but maybe shorter depending on the period over which the Bank expects to use the asset.

Impairment of Non-financial Assets

Property and equipment, investment properties and chattel mortgage properties

At each statement of condition date, the Bank assesses whether there is any indication that its non-financial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Bank makes a formal estimate of the recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less cost to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples and other available fair value indicators.

An impairment loss is charged to operations in the year in which it arises.

An assessment is made at each statement of condition date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been previously recognized. Such reversal is recognized in the statement of income. After such reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.



Goodwill

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the CGU (or group of CGU) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGU) is less than the carrying amount of the CGU (or group of CGU) to which goodwill has been allocated, an impairment loss is recognized immediately in the statements of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Bank performs its annual impairment test of goodwill as at December 31 of each year.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as at December 31 of each year, either individually or at the CGU level, as appropriate.

Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Investment in a joint venture

After application of the equity method, the Bank determines whether it is necessary to recognize an impairment loss on the Bank's investment in a joint venture. The Bank determines at each statement of condition date whether there is any objective evidence that the investment a joint venture is impaired. If this is the case, the Bank calculates the amount of impairment as being the difference between the fair value of the investment in the joint venture and the carrying amount and recognizes such amount in the statements of income.

Common Stock

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

Revenue Recognition

Revenue from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for those services.

The Bank assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Bank concluded that it is acting as a principal in all of its revenue arrangements.

Service fees and commission income

Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria. These fees include remittance fees, commissions, deposit-related and other credit-related fees.

Income from sale of property and equipment, investment property and chattel mortgage properties

Income from sale of property and equipment, investment property and chattel mortgage properties is included in the profit or loss when the property is derecognized. The gain or loss arising from the derecognition of the property is determined as the difference between the net disposal proceeds and its carrying amount on the date of the transaction.



Revenue outside the scope of PFRS 15

Interest income

For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as financial assets at FVOCI investments, interest income is recorded at the EIR, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), including any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR.

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest income'.

Under PFRS 9, when a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3 (as discussed in "Impairment of Financial Assets" above), the Bank 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 Bank reverts to calculating interest income on a gross basis.

Recovery on charged-off assets

Income arising from collections on accounts or recoveries from impairment of items previously written off are recognized in the year of recovery.

Trading and securities gains (losses) - net

Trading and securities gain (loss) represents results arising from trading activities, including all gains and losses from changes in the fair values of FVTPL investments. It also includes gains and losses realized from sale of debt securities at FVOCI.

Realized gains and losses on disposals of FVTPL investments are calculated using weighted average method. It represents the difference between an instrument's initial carrying amount and disposal amount.

Gain on disposal of investments securities at amortized cost

Gain on disposal of investment securities at amortized cost represents gain realized from sale of peso-denominated debt securities measured at amortized cost.

Rental income

Rental income arising from leased properties is accounted for on a straight-line basis over the lease terms of ongoing leases and is recorded in the statements of income under 'Miscellaneous' in other operating income.

Expense Recognition

Expenses are recognized when it is probable that a decrease in future economic benefit related to a decrease in an asset or an increase in liability has occurred and the decrease in economic benefits can be measured reliably. Revenues and expenses that relate to the same transaction or other event are recognized simultaneously.

Interest expense

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



Other expense

Expenses encompass losses as well as those expenses that arise in the ordinary course of business of the Bank. Expenses are recognized when incurred.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the acquisition cost over the share in the net fair value of the acquired identifiable assets, liabilities and contingent liabilities. The Bank's goodwill arose from past purchases of branch business/offices from the Parent Company. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Retirement Cost

Defined benefit plan

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the statement of condition date reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The present value of the defined benefit obligation is calculated annually by an independent actuary. 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 comprise the following:

- a. service cost;
- b. net interest on the net defined benefit liability or asset; and
- c. remeasurements of net defined benefit liability or asset.

Service costs, which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is 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 Philippine government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

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) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified 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. Plan assets are not available to the creditors of the Bank, nor can they be paid directly to the Bank. The fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the 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). If the fair value of the plan assets is higher than the present value of the



defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Bank expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as 'Interest expense'.

Contingent Liabilities and Contingent Assets

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

Debt Issue Costs

Issuance, underwriting and other related expenses incurred in connection with the issuance of debt instruments are included in the measurement basis of the underlying debt instruments and are amortized as an adjustment to the interest on the underlying debt instruments using the effective interest method.



Income Taxes

Income tax on profit or loss for the year comprises current and deferred tax. Income tax is determined in accordance with Philippine tax law. Income tax is recognized in the statement of income, except to the extent that it relates to OCI items recognized directly in the statements of comprehensive income.

Current tax

Current income tax is the expected tax payable on the taxable income for the period, using the tax rates enacted at the statement of condition date, together with adjustments to tax payable in respect to prior years.

Deferred tax

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

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

The carrying amount of deferred tax assets is reviewed at each statement of condition date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each statement of condition date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

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

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

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

Earnings Per Share

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

Dividends on Common Shares

Dividends on common shares are recognized as a liability and deducted from equity when approved by the BOD of the Bank. Dividends for the year that are approved after the statements of condition date are dealt with as subsequent events.



Segment Reporting

The Bank's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 6. The Bank's assets generating revenues are all located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

Fiduciary Activities

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

Subsequent Events

Post year-end events that provide additional information about the Bank's position at the statement of condition date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

Standards Issued but Not Yet Effective

Pronouncements issued but not yet effective are listed below. The Bank intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Bank's financial statements.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*
- Amendments to PAS 21, *Lack of exchangeability*

Effective beginning on or after January 1, 2026

- Amendments to PFRS 9 and PFRS 7, *Classification and Measurement of Financial Instruments*
- Annual Improvements to PFRS Accounting Standards - Volume 11

Effective beginning on or after January 1, 2027

- PFRS 18, *Presentation and Disclosure in Financial Statements*
- PFRS 19, *Subsidiaries without Public Accountability*

Deferred effectivity

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

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS Accounting Standards requires the management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent assets and contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets and liabilities affected in future periods. The effects of any change in judgments, estimates and assumptions are reflected in the financial statements as they become reasonably determinable.



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

Judgments

In the process of applying the Bank's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

(a) Fair value of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of condition or disclosed in the notes to financial statements cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility for longer-dated derivatives and discount rates, prepayments and default rates assumptions. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The fair values of the Bank's financial instruments are disclosed in Note 4.

(b) Classification of financial assets

The Bank classifies its financial assets depending on the business model for managing those financial assets and whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

The Bank performs the business model assessment based on observable factors such as:

- Performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank's key management personnel
- Risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- Compensation of business units whether based on the fair value of the assets managed or on the contractual cash flows collected
- Expected frequency, value and timing of sales

In performing the SPPI test, the Bank applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, the period for which the interest rate is set, contingent events that would change the amount and timing of cash flows, leverage features, prepayment and extension terms and other features that may modify the consideration for the time value of money.

(c) Leases

Bank as lessor

The Bank has entered into commercial property leases on its investment properties portfolio and over various items of furniture, fixtures and equipment. The Bank has determined, based on an evaluation of the terms and conditions of the arrangements (i.e., the lease does not transfer ownership of the asset to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable and the lease term is not for the major part of the asset's economic life),



that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Bank as lessee

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Extension and termination options

The Bank has several lease contracts that include extension and termination options. The Bank applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors such as leasehold improvements and location that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Estimating the IBR for lease liabilities

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR for lease liabilities is the rate of interest that the Bank 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 Bank estimates the IBR for lease liabilities using observable inputs (by reference to prevailing risk-free rates) adjusted to take into account the entity's credit risk (i.e., credit spread).

The carrying values of the Bank's right-of-use assets and lease liabilities are disclosed in Notes 11, 19 and 25, respectively.

(d) Evaluation of business model in managing financial assets

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

In determining the classification of a financial instrument under PFRS 9, the Bank developed business models which reflect how it manages its portfolio of financial instruments. The Bank's business models need not be assessed at entity level or as a whole but applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Bank) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument). The Bank evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Bank.

In addition, PFRS 9 emphasizes that if more than an infrequent and more than an insignificant sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Bank considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect (HTC) business model if the Bank can explain the reasons for those sales and why those sales do not reflect a change in the Bank's objective for the business model.



Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of condition date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next period, are described below. The Bank based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Bank. Such changes are reflected in the assumptions when they occur.

(a) Credit losses on financial assets

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Significant factors affecting the estimates on the ECL model include:

- Segmentation of the portfolio, where the appropriate model or ECL approach is used
- The criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment. The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs. In 2024, the Bank enhanced its ECL models to align with current economic conditions and improve capital efficiency. Pandemic-era overlay models for consumer loans were updated to enhance stability and reliability. Additionally, the Bank refined its Probability of Default (PD) and Loss Given Default (LGD) models improved risk assessment and provisioning accuracy.
- Determination of associations between macroeconomic scenarios and economic inputs and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

The ECL model performance is reviewed periodically, and appropriate measures are taken to ensure provisions for credit losses are adequate.

The gross carrying amounts of financial assets subject to ECL as of December 31, 2024 and the related allowance for credit losses are disclosed in Notes 5 and 15, respectively.

(b) Impairment of investment properties and chattel mortgage properties

The Bank assesses impairment on its non-financial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Bank considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Bank recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the fair value less costs to sell for property and equipment, investment properties and chattel mortgage properties. Recoverable



amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs.

The carrying values of the Bank's investment properties and chattel mortgage properties are disclosed in Notes 12 and 14, respectively.

(c) Present value of retirement obligation

The cost of defined benefit pension plans as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each statement of condition date.

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

The details of assumptions used in the actuarial valuation and carrying value of the net pension liability are disclosed in Note 24.

(d) Recognition of deferred tax assets

Deferred tax assets are recognized for all unused tax and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The estimates of future taxable income indicate that certain temporary differences will be realized in the future. The recognized net deferred assets and unrecognized deferred tax assets for the Bank are disclosed in Note 27.

(e) Contingent liabilities

The Bank is a defendant in legal actions arising from its normal business activities. Management believes that the ultimate liability, if any, resulting from these cases will not have a material effect on the Bank's financial statements are disclosed in Note 31.

4. Fair Value Measurement

Financial Instruments

The following describes the methodologies and assumptions used to determine the fair values of financial instruments:

Cash and other cash items, due from BSP, due from other banks, interbank call loans receivable and SPURA, accounts receivable, accrued interest receivable, bills purchased, returned checks and other cash items (RCOCI), shortages, petty cash fund, and liquidity requirement for e-money - Carrying amounts approximate fair values due to the relatively short-term maturities of these assets.

Debt investments - Fair values are generally based on quoted market prices. If the market prices are not readily available, fair values are estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using the



discounted cash flow methodology, using rates currently available for debt on similar terms, credit risk and remaining maturities.

Equity investments - Fair values are based on quoted prices published in markets.

Receivable from customers, sales contract receivables and security deposits - Fair values are estimated using the discounted cash flow methodology, using the Bank's current lending rates for similar types of loans. The discount rates used range from 3.00% to 36.22% and 3.00% to 41.52% in 2024 and 2023, respectively.

Demand deposits, savings deposits, treasurer's, cashier's and manager's checks, accrued interest payable, accounts payable, bills purchased-contra, other credits, deposits for keys-SDB, payment orders payable and overages - Carrying amounts approximate fair values due to either the demand nature or the relatively short-term maturities of these liabilities.

Bonds payable and time deposits - Fair values are estimated using the discounted cash flow methodology using the Bank's borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued. The discount rates used are the following:

	Discount Rates	
	2024	2023
Bonds payable	—	4.50%
Time deposits	0.35% to 4.95%	0.25% to 6.25%

The inputs used in the fair value measurement based on Level 2 are as follows:

Government securities - interpolated rates based on market rates of benchmark securities as of statement of condition date.

The inputs used in estimating fair values of financial instruments carried at amortized cost and categorized under Level 3 include risk-free rates and applicable risk premium.

Non-financial Assets

Investment properties - Fair values of the investment properties have been determined based on valuations performed by independent external and in-house appraisers using valuation technique with significant inputs that are not based on observable market data (Level 3). The valuation of investment properties was based on the Sales Comparison Approach and considered recent sales of similar or substitute properties in the same areas where the investment properties are located, taking into account the economic conditions prevailing at the time of the valuation. Other factors considered were the location and shape of the properties, environmental issues, development controls such as the height restriction, building coverage and floor area ratio restrictions among others. Other significant unobservable inputs include shape, location, time element, discount and corner influence. The fair value of investment properties is based on its highest and best use, which is its current use.



The following tables summarize the carrying amount and fair values of the Bank's financial instruments and investment properties, analyzed based on the hierarchy described in Note 2 (in thousands):

December 31, 2024					
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets measured at fair value:					
Financial Assets					
FVTPL investments					
HFT - government securities	₱300,599	₱300,599	₱-	₱-	₱300,599
Financial assets at FVOCI					
Government debt securities	25,518,904	9,294,431	16,224,473	-	25,518,904
Private debt securities	338,923	242,082	96,841	-	338,923
Equity securities	34,364	34,364	-	-	34,364
	₱26,192,790	₱9,871,476	₱16,321,314	₱-	₱26,192,790
Assets for which fair values are disclosed:					
Financial Assets					
Investment securities at amortized cost					
Government	₱29,020,885	₱18,000,375	₱9,759,936	₱-	₱27,760,311
Private	1,075,436	1,069,001	-	-	1,069,001
Loans and receivables					
Receivables from customers					
Consumption loans	87,967,008	-	-	99,812,680	99,812,680
Real estate loans	43,347,882	-	-	66,616,422	66,616,422
Commercial loans	7,435,282	-	-	7,567,451	7,567,451
Personal loans	1,731,395	-	-	2,140,463	2,140,463
Sales contract receivable	3,861	-	-	4,055	4,055
Security Deposits	209,110	-	-	283,964	283,964
Non-Financial Assets					
Investment properties	3,640,817	-	-	6,547,753	6,547,753
	₱174,431,676	₱19,069,376	₱9,759,936	₱182,972,788	₱211,802,100
Liabilities for which fair values are disclosed:					
Deposit liabilities - time	₱91,272,572	₱-	₱-	₱93,931,631	₱93,931,631
Deposit liabilities - LTNCD	-	-	-	-	-
Bills payable	-	-	-	-	-
	₱91,272,572	₱-	₱-	₱93,931,631	₱93,931,631

December 31, 2023					
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets measured at fair value:					
Financial Assets					
FVTPL investments					
HFT - government securities	₱414,298	₱414,298	₱-	₱-	₱414,298
Financial assets at FVOCI					
Government debt securities	52,699,129	50,889,402	1,809,727	-	52,699,129
Private debt securities	1,633,147	1,633,147	-	-	1,633,147
Equity securities	27,418	21,199	6,219	-	27,418
	₱54,773,992	₱52,958,046	₱1,815,946	₱-	₱54,773,992
Assets for which fair values are disclosed:					
Financial Assets					
Investment securities at amortized cost					
Government	₱27,875,963	₱18,767,093	₱8,088,712	₱-	₱26,855,805
Private	2,017,205	1,984,906	-	-	1,984,906
Loans and receivables					
Receivables from customers					
Consumption loans	71,139,977	-	-	81,231,497	81,231,497
Real estate loans	40,214,290	-	-	61,703,987	61,703,987
Commercial loans	6,521,064	-	-	6,529,641	6,529,641
Personal loans	1,629,939	-	-	2,247,444	2,247,444
Sales contract receivable	6,380	-	-	6,764	6,764
Security Deposits	198,884	-	-	285,800	285,800
Non-Financial Assets					
Investment properties	3,934,950	-	-	6,617,966	6,617,966
	₱153,538,652	₱20,751,999	₱8,088,712	₱158,623,099	₱187,463,810
Liabilities for which fair values are disclosed:					
Deposit liabilities - time	₱112,749,126	₱-	₱-	₱116,153,413	₱116,153,413
Deposit liabilities - LTNCD	5,084,218	-	-	5,111,755	5,111,755
Bills payable	271,896	-	-	310,561	310,561
	₱118,105,240	₱-	₱-	₱121,575,729	₱121,575,729



When fair values of listed equity and debt securities, as well as publicly traded derivatives at the reporting date are based on quoted market prices or binding dealer price quotations, without any adjustments for transaction costs, the instruments are included within Level 1 of the hierarchy.

For all other financial instruments, fair value is determined using valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist and other revaluation models. Instruments included in Level 3 include those for which there is currently no active market.

As of December 31, 2024 and 2023, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

As of December 31, 2024 and 2023, the Bank determined the market value of its warrants to be zero due to the absence of an active market for the Bank's ROP warrants, as evidenced by the unavailability of quoted market prices.

5. Financial Risk Management Policies and Objectives

The Bank has exposure to the following risks from its use of financial instruments:

- Credit risk
- Market risk
- Liquidity risk

Organization risk management structure continues to be a top-down organization, with the BOD at the helm of all major initiatives.

Discussed below are the relevant sections on roles and responsibilities from the Risk Oversight Committee (ROC) Charter:

Board of Directors (BOD)

The corporate powers of the Bank are vested in and are exercised by the BOD, who conducts its business and controls its property. The BOD approves broad risk management strategies and policies and ensures that risk management initiatives and activities are consistent with the Bank's overall objectives. The BOD appoints the members of the ROC.

Risk Oversight Committee (ROC)

The ROC is composed of at least three members of the Board, the majority of whom are independent directors including its Chairperson. The ROC Chairperson is not the Chairperson of the Board or of any other committee. Members of the ROC possess a range of expertise and adequate knowledge of the Bank's risk exposures to be able to develop appropriate strategies for preventing losses and minimizing the impact of losses when they occur.

The BOD may also appoint non-directors to the ROC as part of the Metrobank Group risk oversight measures. However, only Bank directors shall be considered as voting members of the ROC. Non-voting members are appointed in an advisory capacity.

The ROC oversees the system of limits to discretionary authority that the BOD delegates to the management and ensures that the system remains effective, the limits are observed, and that immediate corrective actions are taken whenever limits are breached.



The ROC meets on a monthly basis and is supported by the Risk Management Office (RMO). In the absence of the ROC Chairman, another Independent Director shall preside. ROC resolutions, which require the concurrence of the majority of its voting members, are presented to the BOD for confirmation.

Risk Management Office (RMO)

The RMO, headed by the Chief Risk and Sustainability Officer, is a function that is independent from executive functions and business line responsibilities, operations and revenue-generating functions. It reports directly to the BOD, through the ROC. The RMO assists the ROC in carrying out its responsibilities by:

- analyzing, communicating, implementing, and maintaining the risk management policies approved by the ROC and the BOD;
- spearheading the regular review of the Bank's risk management policy manual and making or elevating recommendations that enhance the risk management process to the ROC and the BOD, for their approval; and
- ensuring that the risks arising from the Bank's activities are identified, measured, analyzed, reported to and understood by risk takers, management, and the board. The RMO analyzes limit exceptions and recommends enhancements to the limits structure.

The RMO does not assume risk-taking accountability nor does it have approving authority. The RMO's role is to act as liaison and to provide support to the BOD, ROC, the President, management committees, risk takers and other support and control functions on risk-related matters.

The Risk Management Function is responsible for:

- identifying the key risk exposures and assessing and measuring the extent of risk exposures of the Bank and its trust operations;
- monitoring the risk exposures and determining the corresponding capital requirement in accordance with the Basel capital adequacy framework and based on the Bank's internal capital adequacy assessment on an on-going basis;
- monitoring and assessing decisions to accept particular risks whether these are consistent with BOD-approved policies on risk tolerance and the effectiveness of the corresponding risk mitigation measures; and
- reporting on a regular basis to Senior Management and the BOD the results of assessment and monitoring.

President

The President is the Chief Executive Officer of the Bank and has the primary responsibility of carrying out the policies and objectives of the BOD. The President exercises the authorities delegated to him by the BOD and may recommend such policies and objectives he deems necessary for the continuing progress of the Bank.

Risk management

The risk management framework aims to maintain a balance between the nature of the Bank's businesses and the risk appetite of the BOD. Accordingly, policies and procedures are reviewed regularly and revised as the organization grows and as financial markets evolve. New policies or proposed changes in current policies are presented to the ROC and the BOD for approval.



a. Credit risk and concentration of assets and liabilities and off-balance sheet items

Credit risk is the risk that a counterparty will not settle its obligations in accordance with the agreed terms.

The Bank's lending business follows credit policy guidelines set by the BOD, ROC and RMO. These policies serve as minimum standards for extending credit. The people engaged in the credit process are required to understand and adhere to these policies.

Product manuals are in place for all loans and deposit products that actually or potentially expose the Bank to all types of risks that may result in financial or reputational losses. They define the product and the risks associated with the product plus the corresponding risk-mitigating controls. They embody the business plans and define the business parameters within which the product or activity is to be performed.

The system of checks around extension of credit includes approval by at least two credit approvers through the Credit Committee (CreCom), Executive Committee (ExCom) or BOD. The ROC reviews the business strategies and ensures that revenue-generating activities are consistent with the risk tolerance and standards of the Bank. The Internal Audit Group conducts regular audit across all functional units. The BOD, through the ExCom, CreCom and ROC, ensure that sound credit policies and practices are followed through all the business segments.

Credit Approval

Credit approval is the documented acceptance of credit risk in the credit proposal or application.

The Bank's credit decision-making for consumer loans utilizes the recommendation of the credit scoring and is performed at the CreCom level appropriate to the size and risk of each transaction, in conformity with corporate policies and procedures in regulating credit risk activities. The Bank's ExCom may approve deviations or exceptions, while the BOD approves material exceptions such as large exposures, loans to directors, officers, stockholders and other related interests (DOSRI) and related party transactions, and loan restructuring.

Credit delegation limits are identified, tracked and reviewed at least annually by the Bank's Head of Credit and Collections together with the Credit Risk Manager.

Borrower Eligibility

The Bank's credit processing commences when a customer expresses his intention to borrow through a credit application. The Bank gathers data on the customer; ensures they are accurate, up-to-date and adequate to meet the minimum regulatory requirements and to render credit decision. These data are used for the intended purpose only and are managed in adherence to the customer information secrecy law.

The customer's credit worthiness, repayment ability and cash flow are established before credit is extended. The Bank independently verifies critical data from the customer, ensuring compliance with Know Your Customer requirements under the anti-money laundering laws. The Bank requires that customer income be derived from legitimate sources and supported with government-accepted statements of income, assets and liabilities.

The Bank ascertains whether the customer is legally capable of entering a credit contract and of providing a charge over any asset presented as collateral for a loan. Guarantors or sureties may be accepted, provided they are a relative, partner, and have financial interest in the transaction, and they pass all credit acceptance criteria applied to the borrower.



Loan Structure

The Bank structures loans for its customers based on the customer's capability to pay, the purpose of the loan, and for a collateralized loan, the collateral's economic life and liquidation value over time.

The Bank establishes debt burden guidelines and minimum income requirements to assess the customer's capacity to pay.

The Bank utilizes credit bureau data, both external and internal, to obtain information on a customer's current commitments and credit history.

The Bank takes into account environmental and social issues when reviewing credit proposals of small businesses and commercial mortgage customers. The Bank ensures that all qualified securities pass through the BOD for approval. Assignments of securities are confirmed and insurance are properly secured.

The Bank uses credit scoring models and decision systems for consumer loans as approved by the BOD. Borrower risk rating model and facility risk rating model, on the other hand, are available for SME loans, and supported with qualitative evaluation. Regular monitoring of all these tools and their performance is carried out to ensure that they remain effective.

Initial loan limits are recommended by the CreCom and ExCom and approved by the BOD. The Bank ensures that secured loans are within ceilings set by local regulators. Succeeding loan availments are based on account performance and customer's credit worthiness.

Credit Management

The Bank maintains credit records and documents on all borrowings and captures transaction details in its loan systems. The credit risk policies and system infrastructure ensure that loans are monitored and managed at all times.

The Bank's Management Information System provides statistics that its business units need to identify opportunities for improving rewards without necessarily sacrificing risk. Statistical data on product, productivity, portfolio, profitability, performance and projection are made available regularly.

The Bank conducts regular loan review through the ROC, with the support of the RMO. The Bank examines its exposures, credit risk ratios, provisions and customer segments. The Bank's unique customer identification and unique group identification methodology enables it to aggregate credit exposures by customer or group of borrowers. Aggregate exposures of at least ₱100.0 million are put on a special monitoring.

The ROC assesses the adequacy of provisions for credit losses regularly. The Bank's automated loan grading system enables the Bank to set up provision per account. The Bank also performs impairment analyses on loans and receivables, whether on an individual or collective basis, in accordance with PFRS 9.

The Bank carries out stress testing analyses using Board-approved statistical models relating the default trends to macroeconomic indicators.

In 2023, the Philippine economy exhibited resilience and growth despite global challenges. Steady expansion in GDP was observed but inflation and external uncertainties persisted necessitating government's careful economic management. The Bank reviewed and recalibrated its expected credit



loss models to ensure the sufficiency of its calculated provisions and appropriateness of the models in light of the changing economic landscape.

In 2024, the Bank enhanced its credit models for both scoring and provisioning to strengthen risk management and improve decision-making. Pandemic-era overlay models for consumer loans were updated to improve stability and reliability, while Application and Behavioral scoring models were recalibrated to enhance risk assessment. The Bank also refined its Probability of Default (PD) and Loss Given Default (LGD) models to better reflect current economic conditions and optimize capital use. Separately, the Bank continues to enhance its integration of bureau and alternative data sources, further improving borrower evaluation and lending decisions. As part of its ongoing efforts to maintain portfolio quality, the Bank actively manages the credit risk of its incoming portfolio through data analytics. Regular monitoring enables timely adjustments, such as underwriting refinements and stricter credit parameters, when certain segments show elevated risk. These measures ensure that risk-taking activities remain well-controlled and aligned with the Bank's prudent credit risk management framework. These efforts reinforce the Bank's commitment to a forward-looking, data-driven approach to credit risk management.

Maximum Exposure to Credit Risk

The tables below show the analysis of the maximum exposure to credit risk of the Bank's financial instruments, excluding those where the carrying values as reflected in the statement of condition and related notes already represent the financial instrument's maximum exposure to credit risk, after taking into account collateral held or other credit enhancements (in thousands):

2024				
	Carrying Amount	Fair Value of Collateral	Maximum Exposure to Credit Risk	Financial Effect of Collateral or Credit Enhancement
Due from other banks	₱1,815,100	₱3,290,311	₱515,841	₱1,299,259
Receivables from customers				
Consumption loans	87,967,008	97,643,010	1,088,271	86,878,737
Real estate loans	43,347,882	73,153,677	10,202,405	33,145,477
Commercial loans	7,435,282	13,444,223	3,617,334	3,817,948
Other receivables				
Accrued interest receivable	2,319,968	941,576	1,378,391	941,577
Sales contract receivable	3,861	8,075	-	3,861
Total credit exposure	₱142,889,101	₱188,480,872	₱16,802,242	₱126,086,859

2023				
	Carrying Amount	Fair Value of Collateral	Maximum Exposure to Credit Risk	Financial Effect of Collateral or Credit Enhancement
Due from other banks	₱1,764,230	₱3,258,145	₱469,833	₱1,294,397
Receivables from customers				
Consumption loans	71,139,977	83,233,369	1,339,115	69,800,862
Real estate loans	40,214,290	65,152,648	9,945,343	30,268,947
Commercial loans	6,521,064	10,749,329	3,482,338	3,038,726
Other receivables				
Accrued interest receivable	2,326,463	1,022,105	1,304,460	1,022,003
Sales contract receivable	6,380	20,340	180	6,200
Total credit exposure	₱121,972,404	₱163,435,936	₱16,541,269	₱105,431,135



An analysis of the maximum credit risk exposure relating to financial assets under Stage 3 as of December 31, 2024 and 2023 is shown below:

2024				
	Carrying Amount	Fair Value of Collateral	Maximum Exposure to Credit Risk	Financial Effect of Collateral or Credit Enhancement
Receivables from customers				
Consumption loans	₱1,491,677	₱2,006,167	₱36,580	₱1,455,097
Real estate loans	886,020	1,382,206	272,997	613,023
Commercial loans	32,429	251,421	5,141	27,288
Other receivables				
Accrued interest receivable	65,480	42,043	23,437	42,043
Sales contract receivable	3,842	6,567	–	3,842
Total credit exposure	₱2,479,448	₱3,688,404	₱338,155	₱2,141,293
2023				
	Carrying Amount	Fair Value of Collateral	Maximum Exposure to Credit Risk	Financial Effect of Collateral or Credit Enhancement
Receivables from customers				
Consumption loans	₱1,298,961	₱1,972,796	₱73,741	₱1,225,220
Real estate loans	1,106,037	1,693,222	349,437	756,600
Commercial loans	119,247	546,727	10,226	109,021
Other receivables				
Accrued interest receivable	99,606	63,094	36,512	63,094
Sales contract receivable	5,756	12,243	–	5,756
Total credit exposure	₱2,629,607	₱4,288,082	₱469,916	₱2,159,691

Collateral and Other Credit Enhancements

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

The main types of collaterals obtained are as follows:

- For Due from other banks: investment securities
- For SPURA: investment securities
- For commercial lending: mortgages over real estate properties, deposit accounts and securities
- For consumer lending: mortgages over real estate and chattel

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for credit and impairment losses.

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

The Bank holds collateral against loans and receivables in the form of real estate and chattel mortgages, guarantees, and other registered securities over assets. Estimates of fair value are based on the value of the collateral assessed at the time of borrowing and generally are updated every two years and when a loan is assessed to be impaired, whenever applicable. The Bank is not allowed to sell or re-pledge collateral held under SPURA in the absence of default by the counterparty. Collateral is usually not held against holdings in investment securities, and no such collateral was held as of December 31, 2024 and 2023.



Concentration of risk is managed by borrower, by group of borrowers, by geographical region and by industry sector. As of December 31, 2024 and 2023, the maximum credit exposure to any borrower, before taking into account any collateral or other credit enhancement amounted to ₱1.0 billion.

The distribution of the Bank's financial assets before taking into account any collateral held or other credit enhancements can be analyzed by the following geographical regions (in thousands):

2024					
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Others***	Total
Luzon	₱121,533,652	₱3,399,935	₱56,300,349	₱306,138	₱181,540,074
Visayas	13,811,209	—	—	—	13,811,209
Mindanao	12,457,470	—	—	—	12,457,470
	147,802,331	3,399,935	56,300,349	306,138	207,808,753
Less allowance for credit losses	3,978,878	1,479	11,238	—	3,991,595
Total	₱143,823,453	₱3,398,456	₱56,289,111	₱306,138	₱203,817,158

* Composed of due from BSP and due from other banks, interbank call loans receivable and SPURA

** Composed of FVTPL investments, financial assets at FVOCI (excluding equity securities not exposed to credit risk) and investment securities at amortized cost

*** Composed of financial assets classified under other assets (such as RCOCI, security deposits, other investments, and shortages) and stand-by credit lines amounting to ₱79.9 million

2023					
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Others***	Total
Luzon	₱107,777,116	₱18,500,708	₱84,681,046	₱254,841	₱211,213,711
Visayas	10,675,617	—	—	—	10,675,617
Mindanao	10,475,215	—	—	—	10,475,215
	128,927,948	18,500,708	84,681,046	254,841	232,364,543
Less allowance for credit losses	6,163,536	1,209	13,886	—	6,178,631
Total	₱122,764,412	₱18,499,499	₱84,667,160	₱254,841	₱226,185,912

* Composed of due from BSP and due from other banks, interbank call loans receivable and SPURA

** Composed of FVTPL investments, financial assets at FVOCI (excluding equity securities not exposed to credit risk) and investment securities at amortized cost

*** Composed of financial assets classified under other assets (such as RCOCI, security deposits, other investments, and shortages) and stand-by credit lines amounting to ₱41.1 million

Additionally, the tables below show the distribution of the Bank's financial assets and off-balance sheet items before taking into account any collateral or other credit enhancements analyzed by industry sector as of December 31, 2024, and 2023 (in thousands):

2024					
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Others***	Total
Activities of private households as employers and undifferentiated goods and services and producing activities of households for own use	₱92,786,160	₱—	₱—	₱—	₱92,786,160
Financial and insurance activities	2,036,559	3,399,935	56,300,349	226,253	61,963,096
Real estate activities	39,208,698	—	—	—	39,208,698
Wholesale and retail trade; repair of motor vehicles and motorcycles	3,132,435	—	—	—	3,132,435
Transportation and storage	993,717	—	—	—	993,717
Electricity, gas, steam and air-conditioning supply	941,191	—	—	—	941,191
Construction	739,949	—	—	79,885	819,834
Manufacturing	703,363	—	—	—	703,363
Accommodation and food service activities	293,915	—	—	—	293,915
Administrative and support service activities	290,909	—	—	—	290,909
Agricultural, forestry and fishing	187,331	—	—	—	187,331
Education	184,153	—	—	—	184,153
Professional, scientific and technical services	141,580	—	—	—	141,580
Information and communication	89,275	—	—	—	89,275
Human health and social work activities	86,864	—	—	—	86,864
Arts, entertainment and recreation	80,570	—	—	—	80,570
Water supply, sewage, waste management and remediation activities	63,316	—	—	—	63,316
Mining and quarrying	5,018	—	—	—	5,018
Other service activities	5,837,328	—	—	—	5,837,328
	147,802,331	3,399,935	56,300,349	306,138	207,808,753
Less allowance for credit losses	3,978,878	1,479	11,238	—	3,991,595
Total	₱143,823,453	₱3,398,456	₱56,289,111	₱306,138	₱203,817,158

* Composed of due from BSP and due from other banks, interbank call loans receivable and SPURA

** Composed of FVTPL investments, financial assets at FVOCI (excluding equity securities not exposed to credit risk) and investment securities at amortized cost

*** Composed of financial assets classified under other assets (such as RCOCI, security deposits and shortages) and stand-by credit lines amounting to ₱79.9 million



	2023				
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Others***	Total
Financial and insurance activities	₱2,037,250	₱18,500,708	₱84,681,046	₱213,741	₱105,432,745
Activities of private households as employers and undifferentiated goods and services and producing activities of households for own use	77,672,482	—	—	—	77,672,482
Real estate activities	37,060,347	—	—	—	37,060,347
Wholesale and retail trade; repair of motor vehicles and motorcycles	2,364,545	—	—	—	2,364,545
Electricity, gas, steam and air-conditioning supply	1,034,433	—	—	—	1,034,433
Transportation and storage	918,610	—	—	—	918,610
Construction	611,870	—	—	41,100	652,970
Manufacturing	569,671	—	—	—	569,671
Administrative and support service activities	316,974	—	—	—	316,974
Accommodation and food service activities	196,318	—	—	—	196,318
Professional, scientific and technical services	151,628	—	—	—	151,628
Education	131,299	—	—	—	131,299
Human health and social work activities	93,008	—	—	—	93,008
Information and communication	96,509	—	—	—	96,509
Arts, entertainment and recreation	79,617	—	—	—	79,617
Agricultural, forestry and fishing	76,654	—	—	—	76,654
Water supply, sewage, waste management and remediation activities	66,064	—	—	—	66,064
Mining and quarrying	5,725	—	—	—	5,725
Other service activities	5,444,944	—	—	—	5,444,944
	128,927,948	18,500,708	84,681,046	254,841	232,364,543
Less allowance for credit losses	6,163,536	1,209	13,886	—	6,178,631
Total	₱122,764,412	₱18,499,499	₱84,667,160	₱254,841	₱226,185,912

* Composed of due from BSP and due from other banks, interbank call loans receivable and SPURA

** Composed of FVTPL investments, financial assets at FVOCI (excluding equity securities not exposed to credit risk) and investment securities at amortized cost

*** Composed of financial assets classified under other assets (such as RCOCI, security deposits and shortages) and stand-by credit lines amounting to ₱41.1 million

Credit Quality

The Bank uses the standard below in defining credit quality.

High Grade exposures show low levels of expected loss. For loans, these accounts should neither be past due nor impaired. The Bank classifies those accounts under current or 1 to 30 days past due status and are not impaired (Stage 1 & 2).

Standard Grade exposures show moderate levels of expected loss. For loans, these accounts should neither be past due nor impaired.

Sub Standard Grade requires a special degree of attention given the increased risk of default. For loans, these accounts should neither be past due nor impaired.

Past Due but Not Credit Impaired are applicable to loan accounts which are classified as delinquent (31-90 days past due) but are not subject to impairment (Stage 2) as of statement of condition date.

Past Due and Credit Impaired. These include loan accounts considered to be delinquent (91+ days past due), non-performing as defined by BSP Circular No. 941.

Description of the internal credit rating system for loans, receivables and stand-by credit lines:

Internal Credit Rating System (ICRS)

The Bank rates accounts on a scale of 1 to 10, with 1 being the best, based on the Board-approved credit ratings which utilize the expected credit loss and qualitative assessments. ICRS rating assessment considers both borrower and facility features.

High Grade (ICRS Rating 1 - 4)

1 - Excellent

An excellent rating is given to a borrower with a very low probability of going into default and/or low loss given default. The Bank's internal rating system has given an outstanding rating to the borrower,



indicative of excellent ability to meet credit obligation in full and consistently meet payment commitments. Accounts with excellent rating may have collateral, further diminishing any losses in case of a default.

2 - Strong

This rating is given to borrowers with low probability of going into default in the coming year with low to moderate loss given default. The Bank's internal rating system has given a high rating to the borrower. The borrower has the ability to meet credit obligation in full, except that the borrower may have a history of missing a payment.

3 - Good

This rating is given to borrowers with low to moderate probability of going into default in the coming year with moderate loss given default. These are largely characterized by borrowers with good rating and have historically missed several payments.

4 - Satisfactory

A 'satisfactory' rating is given to a borrower where clear risk elements exist and probability of default is somewhat greater with moderate to high loss given default. These are characterized by borrowers with good rating with a history of default.

Standard Grade (ICRS Rating 5)

5 - Acceptable

An 'acceptable' rating is given to a borrower whose risk elements are sufficiently pronounced although borrower should still be expected to meet their credit obligations in full. These are characterized by borrowers with moderate rating.

Substandard Grade (ICRS Rating 6-8)

6 or 7 - Loan Especially Mentioned

An account assessed to have potential weaknesses which when left uncorrected, may affect the repayment of the account and thus increase credit risk to the Bank, will be assigned this rating.

8 - Substandard

These accounts or portion thereof involves a substantial and an unreasonable degree of risk to the Bank because of unfavorable record or unsatisfactory characteristics. These accounts show possibility of future loss to the Bank unless given closer supervision and well-defined weaknesses that jeopardize the account liquidation.

Past Due but Not Credit Impaired

Otherwise known as under-performing loans, these accounts are characterized as showing signs of deterioration. These include loans that are delinquent by 31-90 days and are not subject to impairment (Stage 2) regardless of ICRS rating.

Past Due and Credit Impaired

Otherwise known as non-performing loans, these accounts are already impaired. These include accounts under Stage 3 ECL, delinquent by 91+ days and considered non-performing as defined by BSP Circular No. 941 regardless of ICRS rating. The following credit ratings will always be classified as credit impaired:

9 - Doubtful

Given to an account assessed to have characteristics where collection and liquidation in full is highly improbable and in which substantial loss is probable.



10 - Loss

Given to an account assessed to loans or portions thereof are considered uncollectible or worthless and of such little value that their continuance as bankable assets are not warranted.

The credit quality of receivables from customers, gross of allowance for credit losses, as of December 31, 2024 and 2023 follows (in thousands):

	2024						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Consumption Loans:							
High Grade	P=	P71,766,544	P=	P=	P=	P=	P71,766,544
Standard Grade	–	9,004,975	–	–	–	–	9,004,975
Sub-standard Grade	–	–	–	3,755,240	–	–	3,755,240
Past Due but Not Impaired	–	–	–	3,625,060	–	–	3,625,060
Non-performing Individually Impaired	–	–	–	–	2,306,915	–	2,306,915
	–	80,771,519	–	7,380,300	2,306,915	–	90,458,734
Real Estate Loans:							
High Grade	–	37,963,620	–	–	–	–	37,963,620
Standard Grade	–	–	–	–	–	–	–
Sub-standard Grade	–	–	–	3,563,113	–	–	3,563,113
Past Due but Not Impaired	–	–	–	1,187,181	–	–	1,187,181
Non-performing Individually Impaired	–	–	–	–	1,057,327	–	1,057,327
	–	37,963,620	–	4,750,294	1,057,327	–	43,771,241
Commercial Loans:							
High Grade	–	7,181,206	–	–	–	–	7,181,206
Standard Grade	–	50,610	–	–	–	–	50,610
Sub-standard Grade	–	–	–	191,959	–	–	191,959
Past Due but Not Impaired	–	–	–	27,773	–	–	27,773
Non-performing Individually Impaired	–	–	–	–	217,624	–	217,624
	–	7,231,816	–	219,732	217,624	–	7,669,172
Personal Loans:							
High Grade	–	453,682	–	–	–	–	453,682
Standard Grade	–	135,883	–	–	–	–	135,883
Sub-standard Grade	–	–	–	1,229,425	–	–	1,229,425
Past Due but Not Impaired	–	–	–	23,961	–	–	23,961
Non-performing Individually Impaired	–	–	–	–	151,875	–	151,875
	–	589,565	–	1,253,386	151,875	–	1,994,826
Total Receivables from Customer:							
High Grade	–	117,365,052	–	–	–	–	117,365,052
Standard Grade	–	9,191,467	–	–	–	–	9,191,467
Sub-standard Grade	–	–	–	8,739,737	–	–	8,739,737
Past Due but Not Impaired	–	–	–	4,863,976	–	–	4,863,976
Non-performing Individually Impaired	–	–	–	–	3,733,741	–	3,733,741
	P=	P126,556,519	P=	P13,603,713	P3,733,741	P=	P143,893,979

	2023						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Consumption Loans:							
High Grade	P–	P64,577,623	P–	P–	P–	P–	P64,577,623
Standard Grade	–	2,288,492	–	–	–	–	2,288,492
Sub-standard Grade	–	–	–	2,220,334	–	–	2,220,334
Past Due but Not Impaired	–	–	–	3,382,343	–	–	3,382,343
Non-performing Individually Impaired	–	–	–	–	2,588,654	–	2,588,654
	–	66,866,115	–	5,602,677	2,588,654	–	75,057,446
Real Estate Loans:							
High Grade	–	21,175,066	–	13,471,061	–	–	34,646,127
Standard Grade	–	–	–	–	–	–	–
Sub-standard Grade	–	–	–	3,961,224	–	–	3,961,224
Past Due but Not Impaired	–	–	–	1,268,311	–	–	1,268,311
Non-performing Individually Impaired	–	–	–	–	1,301,558	–	1,301,558
	–	21,175,066	–	18,700,596	1,301,558	–	41,177,220
Commercial Loans:							
High Grade	–	6,097,560	–	–	–	–	6,097,560
Standard Grade	–	151,542	–	–	–	–	151,542

(Forward)



	2023						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Sub-standard Grade	P-	P-	P-	P58,169	P-	P-	P58,169
Past Due but Not Impaired	-	-	-	137,882	-	-	137,882
Non-performing Individually Impaired	-	-	-	-	304,086	-	304,086
	-	6,249,102	-	196,051	304,086	-	6,749,239
Personal Loans:							
High Grade	-	937,607	-	-	-	-	937,607
Standard Grade	-	-	-	-	-	-	-
Sub-standard Grade	-	-	-	790,383	-	-	790,383
Past Due but Not Impaired	-	-	-	176,386	-	-	176,386
Non-performing Individually Impaired	-	-	-	-	198,723	-	198,723
	-	937,607	-	966,769	198,723	-	2,103,099
Total Receivables from Customer:							
High Grade	-	92,787,856	-	13,471,061	-	-	106,258,917
Standard Grade	-	2,440,034	-	-	-	-	2,440,034
Sub-standard Grade	-	-	-	7,030,110	-	-	7,030,110
Past Due but Not Impaired	-	-	-	4,964,922	-	-	4,964,922
Non-performing Individually Impaired	-	-	-	-	4,393,021	-	4,393,021
	P-	P95,227,890	P-	P25,466,093	P4,393,021	P-	P125,087,004

The credit quality of other receivables, gross of allowance for credit losses, as of December 31, 2024 and 2023 follows (in thousands):

	2024						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Accrued Interest Receivable:							
High Grade	P-	P1,921,600	P-	P-	P-	P-	P1,921,600
Standard Grade	-	82,467	-	-	-	-	82,467
Sub-standard Grade	-	58	-	148,943	-	-	149,001
Past Due but Not Impaired	-	-	-	123,719	-	-	123,719
Non-performing Individually Impaired	-	-	-	-	90,895	-	90,895
	-	2,004,125	-	272,662	90,895	-	2,367,682
Accounts Receivable:							
High Grade	-	1,016,552	-	-	-	-	1,016,552
Standard Grade	-	19	-	-	-	-	19
Sub-standard Grade	-	-	-	23,314	-	-	23,314
Past Due but Not Impaired	-	-	-	11,391	-	-	11,391
Non-performing Individually Impaired	-	-	-	-	485,175	-	485,175
	-	1,016,571	-	34,705	485,175	-	1,536,451
Sales Contract Receivable:							
High Grade	-	18	-	-	-	-	18
Standard Grade	-	-	-	-	-	-	-
Sub-standard Grade	-	-	-	-	-	-	-
Past Due but Not Impaired	-	-	-	-	-	-	-
Non-performing Individually Impaired	-	-	-	-	4,207	-	4,207
	-	18	-	-	4,207	-	4,225
Total Other Receivables:							
High Grade	-	2,938,170	-	-	-	-	2,938,170
Standard Grade	-	82,486	-	-	-	-	82,486
Sub-standard Grade	-	58	-	172,257	-	-	172,315
Past Due but Not Impaired	-	-	-	135,110	-	-	135,110
Non-performing Individually Impaired	-	-	-	-	580,277	-	580,277
	P-	P3,020,714	P-	P307,367	P580,277	P-	P3,908,358

	2023						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Accrued Interest Receivable:							
High Grade	P-	P1,722,201	P-	P179,891	P-	P-	P1,902,092
Standard Grade	-	26,351	-	-	-	-	26,351
Sub-standard Grade	-	577	-	225,240	-	-	225,817
Past Due but Not Impaired	-	-	-	106,696	-	-	106,696
Non-performing Individually Impaired	-	-	-	-	137,734	-	137,734
	-	1,749,129	-	511,827	137,734	-	2,398,690

(Forward)



	2023						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Accounts Receivable:							
High Grade	P=	P875,732	P=	P2,139	P=	P=	P877,871
Standard Grade	—	542	—	—	—	—	542
Sub-standard Grade	—	40	—	7,548	—	—	7,588
Past Due but Not Impaired	—	—	—	21,402	—	—	21,402
Non-performing Individually Impaired	—	—	—	—	485,657	—	485,657
	—	876,314	—	31,089	485,657	—	1,393,060
Sales Contract Receivable:							
High Grade	—	421	—	—	—	—	421
Standard Grade	—	—	—	—	—	—	—
Sub-standard Grade	—	—	—	—	—	—	—
Past Due but Not Impaired	—	—	—	228	—	—	228
Non-performing Individually Impaired	—	—	—	—	6,302	—	6302
	—	421	—	228	6302	—	6,951
Total Other Receivables:							
High Grade	—	2,598,354	—	182,030	—	—	2,780,384
Standard Grade	—	26,893	—	—	—	—	26,893
Sub-standard Grade	—	617	—	232,788	—	—	233,405
Past Due but Not Impaired	—	—	—	128,326	—	—	128,326
Non-performing Individually Impaired	—	—	—	—	629,693	—	629,693
	P=	P2,625,864	P=	P543,144	P629,693	P=	P3,798,701

The credit quality of other financial assets which include RCOCI, security deposits, other investments, shortages and liquidity requirement for electronic money products, gross of allowance for credit losses amounting as of December 31, 2024 and 2023 follows (in thousands):

	2024						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Other Financial Assets							
High Grade	P=	P=	P=	P=	P=	P=	P=
Standard Grade	—	382,376	—	—	—	—	382,376
Sub-standard Grade	—	—	—	—	—	—	—
Past Due but Not Impaired	—	—	—	—	—	—	—
Non-performing Individually Impaired	—	—	—	—	—	—	—
Total	P=	P382,376	P=	P=	P=	P=	P382,376

	2023						
	Stage 1		Stage 2		Stage 3	Individual	Collective
	Individual	Collective	Individual	Collective			
Other Financial Assets							
High Grade	P=	P=	P=	P=	P=	P=	P=
Standard Grade	—	401,014	—	—	—	—	401,014
Sub-standard Grade	—	—	—	—	—	—	—
Past Due but Not Impaired	—	—	—	—	—	—	—
Non-performing Individually Impaired	—	—	—	—	—	—	—
Total	P=	P401,014	P=	P=	P=	P=	P401,014

Movements of receivables from customers as of December 31, 2024 and 2023 follow (in thousands):

	2024						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Consumption Loans							
Balance as of January 1, 2024	P=	P66,866,116	P=	P5,602,677	P2,588,653	P=	P75,057,446
New assets originated	—	38,208,861	—	1,372,461	661,533	—	40,242,855
Assets derecognized or repaid	—	(18,216,916)	—	(4,012,839)	(1,524,993)	—	(23,754,748)
Amounts written off	—	—	—	(113,217)	(973,602)	—	(1,086,819)
Transfers to Stage 1	—	1,138,674	—	(1,067,396)	(71,278)	—	—
Transfers to Stage 2	—	(6,026,831)	—	6,123,848	(97,017)	—	—
Transfers to Stage 3	—	(1,198,385)	—	(525,234)	1,723,619	—	—
Balance at December 31, 2024	—	80,771,519	—	7,380,300	2,306,915	—	90,458,734

(Forward)



	2024						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
Real Estate Loans							
Balance as of January 1, 2024	₱–	₱21,175,066	₱–	₱18,700,596	₱1,301,558	₱–	₱41,177,220
New assets originated	–	8,943,325	–	74,970	47,063	–	9,065,358
Assets derecognized or repaid	–	(3,862,639)	–	(2,283,661)	(325,037)	–	(6,471,337)
Amounts written off	–	–	–	–	–	–	–
Transfers to Stage 1	–	12,742,296	–	(12,650,949)	(91,347)	–	–
Transfers to Stage 2	–	(926,250)	–	1,251,227	(324,977)	–	–
Transfers to Stage 3	–	(108,178)	–	(341,890)	450,068	–	–
Balance at December 31, 2024	–	37,963,620	–	4,750,293	1,057,328	–	43,771,241
Commercial Loans							
Balance as of January 1, 2024	–	6,249,102	–	196,051	304,086	–	6,749,239
New assets originated	–	3,056,702	–	18,230	–	–	3,074,932
Assets derecognized or repaid	–	(2,009,561)	–	(56,545)	(88,893)	–	(2,154,999)
Amounts written off	–	–	–	–	–	–	–
Transfers to Stage 1	–	20,211	–	(17,463)	(2,748)	–	–
Transfers to Stage 2	–	(79,282)	–	81,597	(2,315)	–	–
Transfers to Stage 3	–	(5,356)	–	(2,138)	7,494	–	–
Balance at December 31, 2024	–	7,231,816	–	219,732	217,624	–	7,669,172
Personal Loans							
Balance as of January 1, 2024	–	937,606	–	966,769	198,724	–	2,103,099
New assets originated	–	489,283	–	362,115	14,197	–	865,595
Assets derecognized or repaid	–	(584,308)	–	(230,263)	(45,578)	–	(860,149)
Amounts written off	–	–	–	(33,359)	(80,360)	–	(113,719)
Transfers to Stage 1	–	75,291	–	(75,215)	(76)	–	–
Transfers to Stage 2	–	(314,403)	–	314,501	(98)	–	–
Transfers to Stage 3	–	(13,904)	–	(51,163)	65,067	–	–
Balance at December 31, 2024	–	589,565	–	1,253,385	151,876	–	1,994,826
Total Receivable from Customer							
Balance at January 1, 2024	–	95,227,890	–	25,466,093	4,393,021	–	125,087,004
New assets originated	–	50,698,171	–	1,827,776	722,793	–	53,248,740
Assets derecognized or repaid	–	(24,673,424)	–	(6,583,308)	(1,984,501)	–	(33,241,233)
Amounts written off	–	–	–	(146,576)	(1,053,962)	–	(1,200,538)
Transfers to Stage 1	–	13,976,472	–	(13,811,023)	(165,449)	–	–
Transfers to Stage 2	–	(7,346,766)	–	7,771,173	(424,407)	–	–
Transfers to Stage 3	–	(1,325,823)	–	(920,425)	2,246,248	–	–
Balance at December 31, 2024	₱–	₱126,556,520	₱–	₱13,603,710	₱3,733,743	₱–	₱143,893,973

	2023						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Consumption Loans							
Balance as of January 1, 2023	₱-	₱53,117,195	₱-	₱5,591,582	₱1,911,795	₱-	₱60,620,572
New assets originated	-	34,955,414	-	953,344	583,117	-	36,491,875
Assets derecognized or repaid	-	(16,062,677)	-	(4,635,542)	(1,211,126)	-	(21,909,345)
Amounts written off	-	-	-	-	(145,656)	-	(145,656)
Transfers to Stage 1	-	973,758	-	(910,822)	(62,936)	-	-
Transfers to Stage 2	-	(5,152,053)	-	5,262,979	(110,926)	-	-
Transfers to Stage 3	-	(965,522)	-	(658,864)	1,624,386	-	-
Balance at December 31, 2023	-	66,866,115	-	5,602,677	2,588,654	-	75,057,446
Real Estate Loans							
Balance as of January 1, 2023	-	22,511,455	-	18,041,774	1,527,166	-	42,080,395
New assets originated	-	5,668,433	-	7,817	7,207	-	5,683,457
Assets derecognized or repaid	-	(2,147,692)	-	(4,087,457)	(351,483)	-	(6,586,632)
Amounts written off	-	-	-	-	-	-	-
Transfers to Stage 1	-	2,173,204	-	(2,138,138)	(35,066)	-	-
Transfers to Stage 2	-	(6,888,088)	-	7,310,114	(422,026)	-	-
Transfers to Stage 3	-	(142,246)	-	(433,514)	575,760	-	-
Balance at December 31, 2023	-	21,175,066	-	18,700,596	1,301,558	-	41,177,220
Commercial Loans							
Balance as of January 1, 2023	-	5,677,497	-	449,143	352,471	-	6,479,111
New assets originated	-	2,086,517	-	3,249	-	-	2,089,766
Assets derecognized or repaid	-	(1,611,342)	-	(142,344)	(65,952)	-	(1,819,638)
Amounts written off	-	-	-	-	-	-	-
Transfers to Stage 1	-	155,309	-	(154,641)	(668)	-	-
Transfers to Stage 2	-	(50,226)	-	52,035	(1,809)	-	-
Transfers to Stage 3	-	(8,653)	-	(11,391)	20,044	-	-
Balance at December 31, 2023	-	6,249,102	-	196,051	304,086	-	6,749,239
Personal Loans							
Balance as of January 1, 2023	-	954,478	-	1,022,648	246,014	-	2,223,140
New assets originated	-	708,013	-	219,526	3,478	-	931,017
Assets derecognized or repaid	-	(808,151)	-	(105,493)	(25,131)	-	(938,775)
Amounts written off	-	-	-	-	(112,283)	-	(112,283)
Transfers to Stage 1	-	161,624	-	(161,494)	(130)	-	-

(Forward)



	2023						Total
	Stage 1		Stage 2		Stage 3	POCI	
	Individual	Collective	Individual	Collective			
Transfers to Stage 2	P=	(P63,460)	P=	P63,807	(P347)	P=	P=
Transfers to Stage 3	–	(14,897)	–	(72,225)	87,122	–	–
Balance at December 31, 2023	–	937,607	–	966,769	198,723	–	2,103,099
Total Receivable from Customer							
Balance at January 1, 2023	–	82,260,625	–	25,105,147	4,037,446	–	111,403,218
New assets originated	–	43,418,377	–	1,183,936	593,802	–	45,196,115
Assets derecognized or repaid	–	(20,629,862)	–	(8,970,836)	(1,653,692)	–	(31,254,390)
Amounts written off	–	–	–	–	(257,939)	–	(257,939)
Transfers to Stage 1	–	3,463,895	–	(3,365,095)	(98,800)	–	–
Transfers to Stage 2	–	(12,153,827)	–	12,688,935	(535,108)	–	–
Transfers to Stage 3	–	(1,131,318)	–	(1,175,994)	2,307,312	–	–
Balance at December 31, 2023	P=	P95,227,890	P=	P25,466,093	P4,393,021	P=	P125,087,004

Movements of other receivables as of December 31, 2024 and 2023 follow (in thousands):

	2024						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Accrued Interest Receivable							
Balance as of January 1, 2024	₱–	₱1,749,129	₱–	₱511,827	₱137,734	₱–	₱2,398,690
New assets originated	–	396,042	–	43,885	25,385	–	465,312
Assets derecognized or repaid	–	(218,176)	–	(164,604)	(113,540)	–	(496,320)
Amounts written off	–	–	–	–	–	–	–
Transfers to Stage 1	–	189,903	–	(186,936)	(2,967)	–	–
Transfers to Stage 2	–	(91,877)	–	98,603	(6,726)	–	–
Transfers to Stage 3	–	(20,896)	–	(30,113)	51,009	–	–
Balance at December 31, 2024	–	2,004,125	–	272,662	90,895	–	2,367,682
Sales Contract Receivable							
Balance at January 1, 2024	–	421	–	228	6,302	–	6,951
New assets originated	–	–	–	–	–	–	–
Assets derecognized or repaid	–	(564)	–	(67)	(2,095)	–	(2,726)
Amounts written off	–	–	–	–	–	–	–
Transfers to Stage 1	–	161	–	(161)	–	–	–
Transfers to Stage 2	–	–	–	–	–	–	–
Transfers to Stage 3	–	–	–	–	–	–	–
Balance at December 31, 2024	–	18	–	–	4,207	–	4,225
Total Other Receivables							
Balance at January 1, 2023	–	1,749,550	–	512,055	144,036	–	2,405,641
New assets originated	–	396,042	–	43,885	25,385	–	465,312
Assets derecognized or repaid	–	(218,740)	–	(164,671)	(115,635)	–	(499,046)
Amounts written off	–	–	–	–	–	–	–
Transfers to Stage 1	–	190,064	–	(187,097)	(2,967)	–	–
Transfers to Stage 2	–	(91,877)	–	98,603	(6,726)	–	–
Transfers to Stage 3	–	(20,896)	–	(30,113)	51,009	–	–
Balance at December 31, 2024	₱–	₱2,004,143	₱–	₱272,662	₱95,102	₱–	₱2,371,907

	2023						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
Accrued Interest Receivable							
Balance as of January 1, 2023	P=	P1,918,545	P=	P579,008	P113,402	P=	P2,610,955
New assets originated	–	319,435	–	30,057	39,590	–	389,082
Assets derecognized or repaid	–	(341,725)	–	(191,930)	(67,692)	–	(601,347)
Amounts written off	–	–	–	–	–	–	–
Transfers to Stage 1	–	70,955	–	(67,631)	(3,324)	–	–
Transfers to Stage 2	–	(196,578)	–	206,878	(10,300)	–	–
Transfers to Stage 3	–	(21,503)	–	(44,555)	66,058	–	–
Balance at December 31, 2023	–	1,749,129	–	511,827	137,734	–	2,398,690
Sales Contract Receivable							
Balance at January 1, 2023	–	2,077	–	600	8,252	–	10,929
New assets originated	–	–	–	–	–	–	–
Assets derecognized or repaid	–	(1,664)	–	(513)	(1,801)	–	(3,978)
Amounts written off	–	–	–	–	–	–	–
Transfers to Stage 1	–	299	–	(299)	–	–	–
Transfers to Stage 2	–	(291)	–	440	(149)	–	–
Transfers to Stage 3	–	–	–	–	–	–	–
Balance at December 31, 2023	–	421	–	228	6,302	–	6,951
Total Other Receivables							
Balance at January 1, 2023	–	1,920,622	–	579,608	121,654	–	2,621,884
New assets originated	–	319,435	–	30,057	39,590	–	389,082
Assets derecognized or repaid	–	(343,389)	–	(192,443)	(69,493)	–	(605,325)
Amounts written off	–	–	–	–	–	–	–

(Forward)



	2023						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Transfers to Stage 1	P=	P71,254	P=	(P67,930)	(P3,324)	P=	P=
Transfers to Stage 2	–	(196,869)	–	207,318	(10,449)	–	–
Transfers to Stage 3	–	(21,503)	–	(44,555)	66,058	–	–
Balance at December 31, 2023	P=	P1,749,550	P=	P512,055	P144,036	P=	P2,405,641

External Ratings

For investment securities, in ensuring quality investment portfolio, the Bank uses the credit risk rating from published data providers like Moody's, Standard & Poor's (S&P) or other reputable rating agencies.

Presented here is Moody's rating – equivalent S&P rating and other rating agencies applies:

Credit Quality					External Rating					
High grade	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3
Standard grade	Ba1	Ba2	Ba3	B1	B2	B3				
Substandard grade	Caa1	Caa2	Caa3	Ca	C					

High grade - represents those investments which fall under any of the following grade:

Aaa - fixed income obligations are judged to be of the highest quality, with the smallest degree of risk.

Aa1, Aa2, 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, A2, 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, 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.

Standard grade - represents those investments which fall under any of the following grade:

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.

Substandard grade - represents those investments which fall under any of the following grade:

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.



As of December 31, 2024 and 2023 the following tables show the credit quality of loans and advances to banks (in thousands).

	2024						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Due from BSP High Grade	₱1,183,357	₱–	₱–	₱–	₱–	₱–	₱1,183,357
Due from other banks High Grade	1,816,578	–	–	–	–	–	1,816,578
Total Loans and Advances to Banks High Grade	₱2,999,935	₱–	₱–	₱–	₱–	₱–	₱2,999,935
	2023						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Due from BSP High Grade	₱9,745,634	₱–	₱–	₱–	₱–	₱–	₱9,745,634
Due from other banks High Grade	1,765,439	–	–	–	–	–	1,765,439
Total Loans and Advances to Banks High Grade	₱11,511,073	₱–	₱–	₱–	₱–	₱–	₱11,511,073

As of December 31, 2024 and 2023, the following table shows the credit quality of the Bank's investment securities (in thousands):

	2024						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
FVTPL - Government Debt Securities							
High Grade	₱300,599	₱–	₱–	₱–	₱–	₱–	₱300,599
	300,599	–	–	–	–	–	300,599
FVOCI - Government Debt Securities							
High Grade	25,518,904	–	–	–	–	–	25,518,904
	25,518,904	–	–	–	–	–	25,518,904
FVOCI - Private Debt Securities							
Standard Grade	338,923	–	–	–	–	–	338,923
	338,923	–	–	–	–	–	338,923
Investment Securities at Amortized Cost - Government Debt Securities							
High Grade	29,031,234	–	–	–	–	–	29,031,234
	29,031,234	–	–	–	–	–	29,031,234
Investment Securities at Amortized Cost - Private Debt Securities							
Standard Grade	1,076,325	–	–	–	–	–	1,076,325
	1,076,325	–	–	–	–	–	1,076,325
Total Investment Securities							
High Grade	54,850,737	–	–	–	–	–	54,850,737
Standard Grade	1,415,248	–	–	–	–	–	1,415,248
	₱56,265,985	₱–	₱–	₱–	₱–	₱–	₱56,265,985
		</					



	2023						Total
	Stage 1		Stage 2		Stage 3	POCI	
	Individual	Collective	Individual	Collective			
Investment Securities at Amortized Cost - Government Debt Securities							
High Grade	₱27,886,190	₱—	₱—	₱—	₱—	₱—	₱27,886,190
	27,886,190	—	—	—	—	—	27,886,190
Investment Securities at Amortized Cost Private Debt Securities							
Standard Grade	2,020,864	—	—	—	—	—	2,020,864
	2,020,864	—	—	—	—	—	2,020,864
Total Investment Securities							
High Grade	80,999,617	—	—	—	—	—	80,999,617
Standard Grade	3,654,011	—	—	—	—	—	3,654,011
	₱84,653,628	₱—	₱—	₱—	₱—	₱—	₱84,653,628

All of the Bank's loan commitments and financial guarantees amounting to ₱79.8 million and ₱41.1 million as of December 31, 2024 and 2023, respectively, are classified as high grade under Stage 1.

ECL Methodology Overview

Two modelling approaches are employed to build a consistent framework for the development of all ECL models of the Bank. Both modeling approaches consider past events, current conditions and forecast of economic conditions in assessing impairment.

The complex model approach is used for portfolios with a significant number of historical defaults. This approach is applied to the consumer loan portfolios. These quantitative models are built by applying statistical, economic, financial or mathematical theories, techniques and assumptions to calculate provisions. Where historical data are insufficient to develop statistical models, such as for Business Loans, Account Receivables, Sales Contract Receivables, etc. the simplified ECL approach is employed. The Bank observes the historical PD and LGD of the portfolio and applies forward looking economic data on PD to calculate the ECL.

Classification of Individual/Collective Impairment

The Bank calculates provisions either in a collective or individual basis.

Collective impairment calculates risk provisions by grouping exposures into smaller homogeneous portfolios based on a combination of borrower and account characteristics. Accounts with similar risk attributes (i.e. facility, security, credit rating, months-on-books, utilization and collateral type, etc.) are pooled together for calculating provisions based on the expected credit loss models. All Stage 1 accounts of the Bank are categorized under collective impairment.

Individual impairment is applicable for all accounts under Stage 3 or accounts deemed as significant exposures and show objective evidence of impairment. The indicators may be default in payment, restructuring, litigation or probable foreclosure.



As of December 31, 2024 and 2023, an analysis by past due status of receivables from customers wherein the SICR is based only on the past due information is as follows:

	2024					
	Number of days past due					
	Up to 30 days	31-60 days	61-90 days	91-180 days	180 days	Total
Receivables from customers						
Consumption loans	₱106,279	₱2,641,709	₱1,061,729	₱1,137,327	₱1,002,401	₱5,949,445
Real estate loans	573,541	1,040,297	263,701	177,224	538,867	2,593,630
Commercial loans	20,632	17,781	9,992	363	204,518	253,286
Personal loans	57,409	16,250	9,403	24,231	80,481	187,774
Total	₱757,861	₱3,716,037	₱1,344,825	₱1,339,145	₱1,826,267	₱8,984,135

	2023					
	Number of days past due					
	Up to 30 days	31-60 days	61-90 days	91-180 days	180 days	Total
Receivables from customers						
Consumption loans	₱98,570	₱1,860,619	₱839,132	₱995,710	₱1,419,009	₱5,213,040
Real estate loans	669,901	890,094	321,886	237,291	573,539	2,692,711
Commercial loans	149,507	14,562	3,826	5,421	210,706	384,022
Personal loans	72,723	16,700	14,043	24,394	114,622	242,482
Total	₱990,701	₱2,781,975	₱1,178,887	₱1,262,816	₱2,317,876	₱8,532,255

b. Market risk

Market risk management covers the areas of trading and interest rate risks. The Bank utilizes various measurement and monitoring tools to ensure that risk-taking activities are managed within instituted market risk parameters. The Bank revalues its trading portfolios on a daily basis and checks the revenue or loss generated by each portfolio in relation to their level of market risk.

The Bank's risk policies and implementing guidelines are regularly reviewed by the Assets and Liabilities Committee (ALCO), ROC and BOD to ensure that these are up-to-date and in line with changes in the economy, environment and regulations. The ROC and the BOD set the comprehensive market risk limit structure and define the parameters of market activities that the Bank can engage in.

Market risk is the risk to earnings and capital arising from changes in the value of traded portfolios of financial instruments (trading market risk) and from movements in interest rates (interest rate risk). The Bank's market risk originates primarily from holding peso and dollar-denominated debt securities. The Bank utilizes Value-at-Risk (VaR) to measure and manage market risk exposure. VaR estimates the potential decline in the value of a portfolio, under normal market conditions, for a given confidence level over a specified holding period.

Trading activities

The Bank's trading portfolios consist of peso- and dollar-denominated debt securities that are marked-to-market daily. We use BSP-approved Type 3 Derivative License for plain vanilla FX forwards to manage our FX risk against adverse exchange rate movements.

VaR is a statistical measure that calculates the maximum potential loss from a portfolio over a holding period, within a given confidence level. The Bank's current VaR model is based on a historical simulation methodology with a one-day holding period and a 99% confidence level. The Bank establishes limits for trading portfolios and VaR, and comply with regulatory standards. VaR reports are prepared to closely monitor potential losses against approved VaR limit. In addition, actual daily profit and loss levels are monitored against loss triggers. If there is a breach in the VaR limit or loss triggers, Treasury Group is expected to close or reduce their position and bring it down within the limit. Breaches in the limit requires approval of ALCO, President, or ROC/Board, as appropriate.



The Bank performs back testing to validate the VaR model. Results are reported to the ROC and BOD on a monthly basis. Stress testing is also conducted based on historical maximum percentage daily movement and on various ad-hoc rate shock scenarios to estimate potential losses in a crisis situation.

Responsibility for managing the Bank's trading market risk remains with the ROC. With the support of RMO, the ROC recommends to the BOD changes in market risk limits, approving authorities and other activities that need special consideration.

Discussed below are the limitations and assumptions applied by the Bank on its VaR methodology:

- a. VaR is a statistical estimate and thus, does not give the precise amount of loss;
- b. VaR is not designed to give the probability of bank failure, but only attempts to quantify losses that may arise from a bank's exposure to market risk;
- c. Historical simulation does not involve any distributional assumptions, scenarios that are used in computing VaR are limited to those that occurred in the historical sample; and
- d. VaR systems are backward-looking. It attempts to forecast likely future losses using past data. As such, this assumes that past relationships will continue to hold in the future. Major shifts therefore (i.e., an unexpected collapse of the market) are not captured and may inflict losses much bigger than anything the VaR model may have calculated.

The Bank's interest rate VaR follows (in thousands):

	December 31, 2024		December 31, 2023	
	Peso	USD	Peso	USD
Year-end	1	–	1	–
Average	2	–	0	–
High	7	–	2	–
Low	0	–	0	–

Non-trading activities

The Bank follows a prudent policy on managing its assets and liabilities to ensure that fluctuations in interest rates are kept within acceptable limits.

One method by which the Bank measures the sensitivity of its assets and liabilities to interest rate fluctuations is by way of "gap" analysis. This analysis provides the Bank with a static view of the maturity and repricing characteristics of the positions in its statement of condition. An interest rate gap report is prepared by classifying all assets and liabilities into various time period categories according to contracted maturities or anticipated repricing dates, whichever is earlier. Items lacking definitive repricing schedule (e.g., current and savings accounts) are assigned to repricing tenor buckets based on analysis of deposit behavioral patterns, past experience and/or expert judgment. The difference in the amount of assets and liabilities maturing or being repriced in any time period category 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.

The interest rate sensitivity gap report measures interest rate risk by identifying gaps between the repricing dates of assets and liabilities. The Bank's sensitivity gap model calculates the effect of possible rate movements on its interest rate profile.



EaR measures the possible decline in the Bank's net interest income as a result of adverse interest rate movements, given the current repricing profile. It is a tool used to evaluate the sensitivity of the accrual portfolio to changes in interest rates in the adverse direction over the next twelve (12) months. The Bank's EaR limits are based on a percentage of the Bank's projected earnings for the year or capital whichever is lower. The Bank also performs stress-testing to measure the impact of various scenarios based on interest rate volatility and shift in the yield curve. The EaR and stress testing reports are prepared on a monthly basis.

The ALCO is responsible for managing the Bank's structural interest rate exposure. The ALCO's goal is to achieve a desired overall interest rate profile while remaining flexible to interest rate movements and changes in economic conditions. The RMO and ROC review and oversee the Bank's interest rate risks.

The table below demonstrates the sensitivity of equity. Equity sensitivity was computed by calculating mark-to-market changes of debt securities at FVOCI, assuming a parallel shift in the yield curve.

	2024		2023	
	Change in basis points	Sensitivity of equity	Change in basis points	Sensitivity of equity
Currency				
PHP	+10	(P63,063,125)	+10	(P10,854,916)
USD	+10	(112,495)	+10	-
Currency				
PHP	-10	63,359,147	-10	10,934,344
USD	-10	113,580	-10	-

The table below demonstrates the sensitivity of net interest income using the EAR model. Net interest income sensitivity was computed by calculating the changes in the banking book gaps assuming a parallel shift in the yield curve.

	2024		2023	
	Change in basis points	Sensitivity of NII	Change in basis points	Sensitivity of NII
Currency				
PHP	+10	(P31,359,106)	+10	(P2,497,311)
USD	+10	(8,945,289)	+10	(9,197,978)
Currency				
PHP	-10	31,359,106	-10	2,497,311
USD	-10	8,945,289	-10	9,197,978

The Bank employs the Delta EVE model to measure the overall change in the economic value of the bank at one point. It reflects the changes in the net present value of its banking book at different interest rate shocks and stress scenarios. ΔEVE is calculated by slotting the notional repricing cash flows arising from rate-sensitive assets and liabilities into pre-defined tenor buckets. The present value of the net repricing cash flows is then calculated using various interest rate scenarios prescribed by Basel, as well as scenarios internally developed by the Bank.

Foreign Currency Risk

Foreign currency risk is the risk of an investment's value changing due to an adverse movement in currency exchange rates. It arises due to a mismatch in the Bank's foreign currency assets and liabilities. The Bank uses BSP-approved Type 3 Derivative License for plain vanilla FX forwards to manage our FX risk against adverse exchange rate movements.



The Bank's policy is to maintain foreign currency exposure within the approved position, stop loss, loss trigger, VaR limits and to remain within existing regulatory guidelines. To compute for VaR, the Bank uses historical simulation model for USD/PHP FX position, with confidence level at 99.00% and a 1 day holding period. The Bank's VaR for its foreign exchange position for trading and non-trading activities are as follows (in thousands):

	2024 ¹	2023 ¹
As of year-end	₱59	₱1,212
Average	785	1,356
High	1,676	2,319
Low	59	671

¹Using METRISK Historical Simulation VaR

As of December 31, 2024 and 2023, the Bank is not exposed to significant foreign currency risk.

c. Liquidity risk

The Bank's policy on liquidity management emphasizes on three elements of liquidity, namely, cashflow management, ability to borrow in the interbank market, and maintenance of a stock of high-quality liquid assets. These three approaches complement one another with greater weight being given to a particular approach, depending upon the circumstances. The Bank's objective in liquidity management is to ensure that the Bank has sufficient liquidity to meet obligations under normal and adverse circumstances and is able to take advantage of lending and investment opportunities as they arise.

The main tool that the Bank uses for monitoring its liquidity is the Maximum Cumulative Outflow (MCO) reports, which is also called liquidity gap or maturity matching gap reports. The MCO is a useful tool in measuring and analyzing the Bank's cash flow projections and monitoring liquidity risks.

The MCO is generated by distributing the cash flows of the Bank's assets, liabilities and off-balance sheet items to time bands based on cash flow expectations such as contractual maturity, nature of the account, behavioral patterns and projections on business strategies. The incorporation of behavioral cash flow assumptions and business projections or targets results in a dynamic gap report that realistically captures the behavior of the products and creates a forward-looking cash flow projection.

Cash flows from assets are considered as cash inflows, while cash flows from liabilities are considered cash outflows. The net cash flows are determined for each given time period. If the inflows exceed the outflows, the Bank is said to have a positive liquidity gap or has excess funds for the given time bucket. Conversely, if the outflows exceed the inflows, the Bank is said to have a negative liquidity gap or has funding needs for the given time bucket.

The Bank's Liquidity Contingency Funding Plan (LCFP) projects the Bank's funding position during stress to help evaluate the Bank's funding needs and strategies under various stress conditions.

The Bank discourages dependence on Large Funds Providers (LFPs) and monitors the deposit funding concentrations so that it will not be vulnerable to a substantial drop in deposit level should there be an outflow of large deposits and there are enough high-quality liquid assets to fund LFP withdrawals. ALCO is responsible for managing the liquidity of the Bank while RMO and ROC review and oversee the Bank's overall liquidity risk management.



To mitigate potential liquidity problems caused by unexpected withdrawals of significant deposits, the Bank takes steps to cultivate good business relationships with clients and financial institutions, maintains high level of high-quality liquid assets, monitors the deposit funding concentrations and regularly updates the Liquidity Contingency Funding Plan. The Bank's Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) are managed on a daily basis to ensure compliance with the required regulatory ratios.

Financial assets

Analysis of equity and debt securities at FVTPL and financial assets at FVOCI into maturity groupings is based on the expected date on which these assets will be realized. 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.

Financial liabilities

The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date and does not consider the behavioral pattern of the creditors. When the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Bank can be required to pay.

Analysis of Financial Assets and Liabilities by Remaining Maturities

The tables below show the maturity profile of the Bank's financial assets and liabilities based on contractual undiscounted repayment obligations (in millions):

	2024							
	On demand	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 to 12 months	Total within 1 year	Beyond 1 year	Total
Financial Assets								
Financial assets at FVTPL	P301	P-	P-	P-	P-	P301	P-	P301
Financial assets at FVOCI	-	-	-	-	-	-	-	-
Government securities	-	8,469	-	49	180	8,698	16,821	25,519
Private securities	-	-	-	-	-	-	339	339
Quoted equity securities	34	-	-	-	-	34	-	34
Investment securities at amortized cost	-	-	-	-	-	-	-	-
Government bonds	-	578	-	-	1,728	2,306	26,724	29,030
Private securities	-	-	229	72	775	1,076	-	1,076
Loans and receivables	-	-	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	-	-	-	-
Due from BSP	1,183	-	-	-	-	1,183	-	1,183
Due from other banks	1,817	-	-	-	-	1,817	-	1,817
Interbank call loans receivable and SPURA	400	-	-	-	-	400	-	400
Receivables from customers	-	-	-	-	-	-	-	-
Consumption loans	86	50	224	512	1,259	2,131	88,330	90,461
Real estate loans	151	129	374	494	1,105	2,253	41,592	43,845
Commercial loans	213	641	807	691	899	3,251	4,417	7,668
Personal loans	131	63	167	216	726	1,303	692	1,995
Other receivables	-	-	-	-	-	-	-	-
Accrued interest receivable	531	963	108	-	12	1,614	753	2,367
Accounts receivable	1,026	27	6	6	9	1,074	463	1,537
Sales contract receivable	4	-	-	-	-	4	-	4
Other assets	-	-	-	-	-	-	-	-
Security deposits	-	1	1	2	15	19	190	209
RCOCI	17	-	-	-	-	17	-	17
	P5,894	P10,921	P1,916	P2,042	P6,708	P27,481	P180,321	P207,802
Financial Liabilities								
Deposit liabilities								
Demand	P25,535	P-	P-	P-	P-	P25,535	P-	P25,535
Savings	47,745	-	-	-	-	47,745	-	47,745
Time	420	50,916	19,529	2,175	895	73,935	19,997	93,932
LTNCD	-	-	-	-	-	-	-	-
	73,700	50,916	19,529	2,175	895	147,215	19,997	167,212
Treasurer's, cashier's and manager's checks	1,615	-	-	-	-	1,615	-	1,615
Bills payable	-	-	-	-	-	-	-	-
Accrued interest payable	321	-	-	-	-	321	-	321
Accrued other expenses payable	191	-	1,734	-	-	1,925	-	1,925
Other liabilities	-	-	-	-	-	-	-	-
Accounts payable	2,072	-	-	-	-	2,072	-	2,072
Lease liabilities	-	35	70	106	199	410	782	1,192
Other credits	222	-	-	-	-	222	-	222
Deposit for keys	1	-	-	-	-	1	-	1
	P78,122	P50,951	P21,333	P2,281	P1,094	P153,781	P20,779	P174,560



	2023							Total
	On demand	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 to 12 months	Total within 1 year	Beyond 1 year	
Financial Assets								
Financial assets at FVTPL	P--	P--	P405	P--	P--	P405	P--	P405
Financial assets at FVOCI								
Government securities	--	49,400	1,489	178	67	51,134	1,565	52,699
Private securities	--	--	1,396	--	--	1,396	237	1,633
Quoted equity securities	--	--	--	--	--	--	--	--
Investment securities at amortized cost								
Government bonds	--	--	700	--	291	991	26,885	27,876
Private securities	--	--	254	300	--	554	1,463	2,017
Loans and receivables								
Loans and advances to banks								
Due from BSP	3,599	6,149	--	--	--	9,748	--	9,748
Due from other banks	1,765	--	--	--	--	1,765	--	1,765
Interbank call loans receivable and SPURA	--	6,991	--	--	--	6,991	--	6,991
Receivables from customers								
Consumption loans	278	1,071	2,271	3,731	8,830	16,181	103,026	119,207
Real estate loans	198	420	970	1,384	2,919	5,891	72,393	78,284
Commercial loans	534	363	762	487	735	2,881	5,560	8,441
Personal loans	269	111	251	319	865	1,815	951	2,766
Other receivables								
Accrued interest receivable	2,315	10	15	2	57	2,399	--	2,399
Accounts receivable	911	14	2	3	1	931	462	1,393
Sales contract receivable	4	--	--	2	--	6	1	7
Other assets								
Security deposits	--	1	3	5	16	25	173	198
RCOCI	14	--	--	--	--	14	--	14
	P9,887	P64,530	P8,518	P6,411	P13,781	P103,127	P12,716	P315,843
Financial Liabilities								
Deposit liabilities								
Demand	P25,326	P--	P--	P--	P--	P25,326	P--	P25,326
Savings	46,463	--	--	--	--	46,463	--	46,463
Time	259	75,892	17,558	2,259	2,214	98,182	17,143	115,325
LTNCD	--	--	5,112	--	--	5,112	--	5,112
	72,048	75,892	22,670	2,259	2,214	175,083	17,143	192,226
Treasurer's, cashier's and manager's checks	1,514	--	--	--	--	1,514	--	1,514
Bills payable	--	272	--	--	--	272	--	272
Accrued interest payable	464	--	52	--	--	516	--	516
Accrued other expenses payable	--	--	2,148	--	--	2,148	--	2,148
Other liabilities								
Accounts payable	1,998	--	--	--	--	1,998	--	1,998
Lease liabilities	--	38	76	109	196	419	928	1,347
Other credits	170	--	--	--	--	170	--	170
Deposit for keys	1	--	--	--	--	1	--	1
	P76,195	P76,202	P24,946	P2,368	P2,410	P182,121	P18,071	P200,192

6. Segment Information

The Bank's operating segments are organized and managed separately according to the nature of services provided and the different markets served, with each segment representing a strategic business unit that offers different products and serves different markets. The Bank's reportable segments are as follows:

- Consumer Banking - principally provides consumer-type loans generated by the Home Office;
- Corporate Banking - principally handles loans and other credit facilities for small and medium enterprises, corporate and institutional customers acquired in the Home Office;
- Branch Banking - serves as the Bank's main customer touch point which offers consumer and corporate banking products; and
- Treasury - principally handles institutional deposit accounts, providing money market, trading and treasury services, as well as managing the Bank's funding operations by use of government securities and placements and acceptances with other banks.

These segments are the bases on which the Bank reports its primary segment information. The Bank evaluates performance on the basis of information about the components of the Bank that senior management uses to make decisions about operating matters. There are no other operating segments than those identified by the Bank as reportable segments. There were no inter-segment revenues and expenses included in the financial information. The Bank has no single customer with revenues from which is 10.00% or more of the Bank's total revenue.



The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. Primary segment information (by business segment) for the years ended December 31, 2024, 2023 and 2022 follows (in thousands):

	2024				
	Consumer Banking	Corporate Banking	Branch Banking	Treasury	Total
Operating income					
Interest income	P4,498,367	P228,609	P8,126,983	P4,019,166	P16,873,125
Service fees and commission	686,995	17,365	1,201,076	—	1,905,436
Other operating income	459,255	8,126	715,405	22,572	1,205,358
Total operating income	5,644,617	254,100	10,043,464	4,041,738	19,983,919
Non-cash expenses					
Provision for credit and impairment losses	73,939	22,986	119,968	(2,454)	214,439
Depreciation	291,761	3,276	656,306	437	951,780
Amortization of intangible assets	50,255	857	55,922	4,324	111,358
Total non-cash expenses	415,955	27,119	832,196	2,307	1,277,577
Interest expense	—	—	2,494,013	2,081,572	4,575,585
Service fees and commission expense	32,398	819	56,640	—	89,857
Subtotal	32,398	819	2,550,653	2,081,572	4,665,442
Compensation and fringe benefits	1,098,412	67,928	2,890,106	32,222	4,088,668
Taxes and licenses	454,804	9,773	550,830	505,570	1,520,977
Occupancy and equipment-related costs	103,817	556	250,795	90	355,258
Security, messengerial and janitorial services	202,418	2,701	358,746	260	564,125
Miscellaneous	504,893	10,278	1,039,274	87,820	1,642,265
Subtotal	2,364,344	91,236	5,089,751	625,962	8,171,293
Income before share in net income of a joint venture and income tax	2,831,920	134,926	1,570,864	1,331,897	P5,869,607
Share in net income of a joint venture					68,023
Income before income tax					5,937,630
Provision for income tax					729,188
Net income					5,208,442
Segment assets	P111,122,145	P3,085,367	P50,235,843	P49,702,873	214,146,228
Investment in a joint venture					892,037
Deferred tax assets					1,318,508
Total assets					P216,356,773
Segment liabilities	P1,875,800	P146,764	P116,459,188	P53,769,093	P172,250,845

	2023				
	Consumer Banking	Corporate Banking	Branch Banking	Treasury	Total
Operating income					
Interest income	P3,818,782	P593,849	P7,918,866	P5,292,768	P17,624,265
Service fees and commission	586,757	12,506	1,193,480	—	1,792,743
Other operating income	953,163	7,814	607,681	22,922	1,591,580
Total operating income	5,358,702	614,169	9,720,027	5,315,690	21,008,588
Non-cash expenses					
Provision for credit and impairment losses	1,267,662	50,112	138,210	(4,894)	1,451,090
Depreciation	209,247	2,932	626,693	1,264	840,136
Amortization of intangible assets	37,485	944	67,087	697	106,213
Total non-cash expenses	1,514,394	53,988	831,990	(2,933)	2,397,439
Interest expense	—	—	2,514,801	3,283,288	5,798,089
Service fees and commission expense	21,465	458	43,661	—	65,584
Subtotal	21,465	458	2,558,462	3,283,288	5,863,673
Compensation and fringe benefits	981,002	59,622	2,736,065	35,026	3,811,715
Taxes and licenses	409,260	11,358	513,802	738,107	1,672,527
Occupancy and equipment-related costs	89,823	571	247,741	330	338,465
Security, messengerial and janitorial services	134,936	2,006	293,958	339	431,239
Miscellaneous	476,514	9,635	1,065,178	139,519	1,690,846
Subtotal	2,091,535	83,192	4,856,744	913,321	7,944,792
Income before share in net income of a joint venture and income tax	P1,731,308	P476,531	P1,472,831	P1,122,014	P4,802,684
Share in net income of a joint venture					86,341
Income before income tax					4,889,025
Provision for income tax					357,963
Net income					P4,531,062
Segment assets	P96,310,679	P2,287,007	P46,653,000	P91,054,823	P236,305,509
Investment in a joint venture					870,179
Deferred tax assets					1,257,608
Total assets					P238,433,296
Segment liabilities	P1,401,753	P94,864	P138,894,328	P57,888,193	P198,279,138



	2022				
	Consumer Banking	Corporate Banking	Branch Banking	Treasury	Total
Operating income					
Interest income	₱3,205,313	₱652,627	₱7,566,916	₱2,763,017	₱14,187,873
Service fees and commission	528,784	19,267	1,184,791	—	1,732,842
Other operating income	1,366,039	19,538	906,231	(3,620)	2,288,188
Total operating income	5,100,136	691,432	9,657,938	2,759,397	18,208,903
Non-cash expenses					
Provision for credit and impairment losses	1,042,765	137,470	144,753	(18,746)	1,306,242
Depreciation	164,989	2,605	587,289	1,070	755,953
Amortization of intangible assets	34,423	1,039	66,598	791	102,851
Total non-cash expenses	1,242,177	141,114	798,640	(16,885)	2,165,046
Interest expense	—	—	2,238,266	898,957	3,137,223
Service fees and commission expense	15,657	570	35,082	—	51,309
Subtotal	15,657	570	2,273,348	898,957	3,188,532
Compensation and fringe benefits	889,555	69,526	2,645,630	35,843	3,640,554
Taxes and licenses	337,659	17,170	571,952	686,145	1,612,926
Occupancy and equipment-related costs	99,112	801	244,215	440	344,568
Security, messengerial and janitorial services	117,030	2,305	293,133	543	413,011
Miscellaneous	637,139	19,885	1,302,183	171,514	2,130,721
Subtotal	2,080,495	109,687	5,057,113	894,485	8,141,780
Income before share in net income of a joint venture and income tax	1,761,807	440,061	1,528,837	982,840	₱4,713,545
Share in net income of a joint venture					83,418
Income before income tax					4,796,963
Benefit from income tax					1,118,535
Net income					₱3,678,428
Segment assets	₱78,301,306	₱3,047,772	₱46,435,918	₱135,539,614	₱263,324,610
Investment in a joint venture					816,285
Deferred tax assets					280,114
Total assets					₱264,421,009
Segment liabilities	₱1,102,197	₱112,602	₱140,290,782	₱85,775,817	₱227,281,398

7. Due from Bangko Sentral ng Pilipinas, Interbank Call Loans Receivable and Securities Purchased Under Resale Agreements

Due from Bangko Sentral ng Pilipinas

This account consists of the following:

	2024	2023
Demand deposit (Note 16)	₱1,183,357,292	₱3,598,633,911
Term deposit facility	—	3,000,000,000
Overnight deposit facility	—	3,147,000,000
	₱1,183,357,292	₱9,745,633,911

Due from BSP- Overnight deposit facility (ODF) bears annual interest rates ranging from 5.25% to 6.00% in 2024 and from 5.00% to 6.00% in 2023. On the other hand, due from BSP- Term Deposit (TD) bears annual interest rates ranging from 6.06% to 6.67% in 2024 and from 6.28% to 6.71% in 2023.

Interbank Call Loans Receivable and Securities Purchased Under Resale Agreements (SPURA)

This account consists of the following:

	2024	2023
Interbank call loans receivable	₱400,000,000	₱—
SPURA	—	6,989,635,680
	₱400,000,000	₱6,989,635,680

Interbank call loans (IBCL) represent short-term lending with counterparty banks and other financial institutions. These are highly liquid instruments which mature within one to five days.



SPURA are lending to counterparties collateralized by government securities ranging from one to six days.

As of December 31, 2024 and 2023, the fair values of government securities held as collateral amounted to nil and ₱7.0 billion, respectively. The Bank is not permitted to sell or repledge the related collateral in the absence of default by the counterparty.

Foreign currency-denominated IBCLs bear annual interest ranging from 5.00% to 5.51% in 2024, from 4.00% to 4.50% in 2023 and from 0.32% to 3.25% in 2022, while peso-denominated IBCL of the Bank bear annual interest rate ranging from 5.91% to 6.59% in 2024, from 6.19% to 6.41% in 2023 and from 1.87% to 4.25% in 2022. SPURA of the Bank bears annual interest rates ranging from 5.95% to 6.58% in 2024, 5.50% to 6.40% in 2023 and 2.00% to 5.50% in 2022.

Interest income on due from BSP, interbank call loans receivable and SPURA are as follows:

	2024	2023	2022
Due from BSP	₱345,049,668	₱1,397,792,663	₱1,254,216,130
IBCL and SPURA			
IBCL (Note 29)	109,478,588	24,751,029	7,862,763
SPURA	238,088,674	394,630,077	187,915,814
	347,567,262	419,381,106	195,778,577
	₱692,616,930	₱1,817,173,769	₱1,449,994,707

8. Investment Securities

Fair Value Through Profit or Loss (FVTPL) Investments

FVTPL investments consist of the following:

	2024	2023
Government debt securities	₱300,599,156	₱414,298,313

The unrealized portion of the trading securities gains/(losses) on FVTPL investments amounted to (₱4.98 million) in 2024, ₱1.76 million in 2023 and (₱0.01 million) in 2022.

Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)

Financial assets at FVOCI consist of the following:

	2024	2023
Debt securities		
Government	₱25,518,903,960	₱52,699,128,847
Private	338,922,873	1,633,147,238
Equity securities		
Quoted	34,364,018	27,417,546
	₱25,892,190,851	₱54,359,693,631

As of December 31, 2024 and 2023, the Bank deposited financial assets at FVOCI with total carrying value of ₱119.5 million and ₱123.9 million, respectively, in the form of government bonds with BSP, in compliance with trust regulations (Note 30).



As of December 31, 2024, and 2023, the ECL on financial assets at FVOCI (included in 'Fair value reserves on financial assets at FVOCI') amounted to ₱0.7 million (Note 15). Movements in the fair value reserves on financial assets at FVOCI follow:

	2024	2023
Balance at beginning of year	₱70,794,457	(₱48,782,635)
Loss (gain) from sale of financial assets at FVOCI		
realized in profit or loss	(24,247,623)	677,047
Changes in allowance for ECL (Note 15)	(74,924)	(207,485)
Fair value gain (loss) recognized in OCI	(29,502,025)	119,107,530
Balance at end of year	₱16,969,885	₱70,794,457

Investment Securities at Amortized Cost

Investment securities at amortized cost consist of the following:

	2024	2023
Debt securities		
Government	₱29,031,233,731	₱27,886,190,462
Private	1,076,325,394	2,020,863,838
	30,107,559,125	29,907,054,300
Less allowance for credit losses (Note 15)	11,237,913	13,886,257
	₱30,096,321,212	₱29,893,168,043

In 2024 and 2023, investment securities at amortized cost include Bureau of Treasury bonds pledged by the Bank to MBTC to secure its payroll account, with total carrying value of ₱63.2 million and ₱60.0 million, respectively.

Interest income on investment securities consists of:

	2024	2023	2022
Interest income recognized using EIR			
Financial assets at FVOCI	₱1,962,062,126	₱2,948,166,683	₱1,590,417,662
Investment securities at amortized cost	1,310,561,907	1,359,495,255	983,839,251
	3,272,624,033	4,307,661,938	2,574,256,913
Interest income recognized using nominal interest rates			
FVTPL investments	44,019,337	3,495,728	2,152
	₱3,316,643,370	₱4,311,157,666	₱2,574,259,065

EIR on peso-denominated financial assets at FVOCI investments as of December 31, 2024, 2023, and 2022, range from 5.98% to 6.73%, from 6.34% to 6.74%, and from 1.97% to 6.04%, respectively. EIR on foreign currency-denominated financial assets at FVOCI investments as of December 31, 2024 range from 4.44% to 4.98%.

On the other hand, EIR on peso-denominated investment securities at amortized cost range from 5.02% to 5.39% in 2024, from 4.99% to 5.55% in 2023 and from 3.86% to 5.02% in 2022, while EIR on foreign currency-denominated investment securities at amortized cost range from 3.27% to 3.49% in 2024 from 3.28% to 3.65% in 2023 and 3.31% to 3.66% in 2022.



Trading and securities gains (losses) - net on investment securities consist of:

	2024	2023	2022
Financial assets at FVOCI	₱24,247,623	(₱677,047)	₱2,499,021
FVTPL investments (Note 29)	(9,956,515)	5,970,945	(43,835)
	₱14,291,108	₱5,293,898	₱2,455,186

9. Loans and Receivables

This account consists of:

	2024	2023
Receivables from customers		
Consumption loans	₱90,460,340,931	₱75,082,900,240
Real estate loans	43,844,550,817	41,266,767,900
Commercial loans	7,669,171,911	6,749,239,198
Personal loans (Note 29)	1,994,825,782	2,103,099,117
	143,968,889,441	125,202,006,455
Less unearned discounts and capitalized interest	74,916,465	115,002,708
	143,893,972,976	125,087,003,747
Other receivables		
Accrued interest receivable	2,367,681,595	2,398,689,550
Accounts receivable (Note 29)	1,536,451,201	1,393,060,263
Sales contract receivables	4,224,875	6,951,309
Bills purchased (Note 19)	—	42,243,033
	147,802,330,647	128,927,947,902
Less allowance for credit losses (Note 15)	3,978,878,079	6,163,535,676
	₱143,823,452,568	₱122,764,412,226

Personal loans comprise deposit collateral loans, employee salary and consumer loan products such as money card, multi-purpose loan and flexi-loan.

As of December 31, 2024, 2023 and 2022, 33.73%, 35.65%, and 40.09%, respectively, of the total receivables from customers are subject to periodic interest repricing with average EIR of 8.45%, 8.50%, and 8.14% in 2024, 2023 and 2022, respectively. Remaining receivables earn average annual fixed interest rates of 16.96%, 16.43%, and 15.95%, in 2024, 2023 and 2022, respectively.

Interest income on loans and receivables consists of:

	2024	2023	2022
Receivables from customers			
Consumption loans	₱8,235,230,464	₱6,871,709,159	₱5,666,303,484
Real estate loans	3,598,209,707	3,504,027,484	3,462,009,203
Personal loans (Note 29)	515,338,079	627,081,379	585,515,967
Commercial loans	505,100,429	476,440,498	445,022,995
Other receivables			
Sales contract receivables	79,968	200,864	666,388
	₱12,853,958,647	₱11,479,459,384	₱10,159,518,037

Interest income from restructured loans amounted to ₱7.1 million, ₱10.7 million, and ₱5.9 million in 2024, 2023, and 2022, respectively.



On March 25, 2020, Republic Act (RA) No. 11469, otherwise known as the Bayanihan to Heal as One Act (“Bayanihan 1 Act”) was enacted. Bayanihan 1 Act provides that all covered institutions shall implement a 30-day grace period for all loans with principal and/or interest and lease amortization falling due within the Enhanced Community Quarantine (ECQ) Period without incurring interest on interest, penalties, fees and other charges. Subsequently, on September 11, 2020, RA No. 11494, otherwise known as the Bayanihan to Recover as One Act (“Bayanihan 2 Act”), was enacted. Under Bayanihan 2 Act, a one-time sixty (60)-day grace period is granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interests, penalties, fees, or other charges and thereby extending the maturity of the said loans. Furthermore, a minimum 30-day grace period shall also be granted by covered institutions to all payments due within the period of community quarantine on rent and utility-related expenditures without incurring penalties, interest, and other charges.

Accretion of modified loans amounted to ₱40.1 million, ₱70.1 million and ₱107.0 million in 2024, 2023 and 2022, respectively (Note 23).

10. Investment in a Joint Venture

The Bank’s investment in a joint venture represents its 30.00% interest in Sumisho Motor Finance Corporation (SMFC) as of December 31, 2024 and 2023.

SMFC was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on November 26, 2009. It started commercial operations in March 2010. Its principal office is located at 12th Floor, PSBank Center, 777 Paseo de Roxas corner Sedeño Street, Makati City.

SMFC is engaged in the business of lending or leasing to retail customers for their purchase of motorcycles.

Management has assessed that the Bank continues to have joint control over SMFC together with GT Capital, Sumitomo Japan, and Sumitomo Corporation of the Philippines (Sumitomo Group), as all investors are bound by all terms and conditions of the original Joint Venture Agreement between the Bank and Sumitomo Group, where unanimous consent is required from all the parties for SMFC’s relevant activities.

The investment is measured using the equity method. As of December 31, 2024, and 2023, the Bank’s investment in a joint venture amounted to ₱892.0 million and ₱870.2 million, respectively. Movement in this account follows (in thousands):

	2024	2023
Balance at beginning of year	₱870,179	₱816,285
Share in net income (Note 29)	68,023	86,341
Share in remeasurement gains on retirement plan (Note 29)	(3,757)	3,301
Share in hedge reserves (Note 29)	(9,707)	21,852
Dividends received	(32,701)	(57,600)
Balance at end of year	₱892,037	₱870,179



The following table illustrates the summarized financial information of SMFC (in thousands):

	2024	2023
Current assets	₱5,932,004	₱7,251,886
Non-current assets	443,238	452,478
Current liabilities	(3,322,004)	(3,279,135)
Non-current liabilities	(79,782)	(1,524,632)
Net assets	₱2,973,456	₱2,900,597

	2024	2023
Cash and cash equivalents	₱473,387	₱687,758
Current financial liabilities	(3,307,846)	(3,299,346)
Non-current financial liabilities	(42,169)	(1,417,664)

	2024	2023	2022
Revenues	₱1,720,970	₱1,803,734	₱1,548,564
Less: Costs and expenses	1,419,524	1,539,695	1,159,711
	301,446	264,039	388,853
Less: Provision for (benefit from) income tax	74,703	(23,764)	110,792
Net income	226,743	287,803	278,061
Add: Other comprehensive income	(44,882)	(32,357)	33,212
Total comprehensive income	₱181,861	₱255,446	₱311,273

	2024	2023	2022
Interest income	₱1,768,569	₱1,715,112	₱1,459,009
Interest expense	259,724	240,397	164,828
Depreciation and amortization	116,796	96,437	91,584
Income tax expense or income	74,703	62,536	110,792

Cost of the investment as of December 31, 2024 and 2023 amounted to ₱600.0 million.

On June 28, 2024, SMFC declared dividends of ₱5.45 per share amounting to a total of ₱109.0 million. The same was paid to shareholders on July 23, 2024.

On June 23, 2023, SMFC declared dividends of ₱9.60 per share amounting to a total of ₱192.0 million. The same was paid to shareholders on July 19, 2023.

SMFC is a private company and there is no quoted market price available for its shares. The net assets of SMFC consist mainly of financial assets and financial liabilities.

The Bank has no share in any contingent liabilities or capital commitments of SMFC as of December 31, 2024 and 2023. There are also no agreements entered into by SMFC that may restrict dividends and other capital contributions to be paid, loans and advances to be made or repaid to or from the Bank as of the said dates.



11. Property and Equipment

The composition of and movements in this account follow:

2024						
	Land	Building	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-use Assets: Building	Total
Cost						
Balance at beginning of the period	₹976,443,676	₹1,164,846,258	₹3,415,338,919	₹1,131,384,796	₹1,963,591,638	₹8,651,605,287
Acquisitions/Additions	—	5,819,383	290,698,956	22,690,510	451,270,041	770,478,890
Disposals/Retirement	—	—	(76,054,885)	—	(440,073,893)	(516,128,778)
Balance at end of the period	976,443,676	1,170,665,641	3,629,982,990	1,154,075,306	1,974,787,786	8,905,955,399
Accumulated Depreciation						
Balance at beginning of the period	—	634,324,894	2,835,102,506	1,070,267,248	969,953,262	5,509,647,910
Depreciation	—	35,717,687	192,372,030	26,638,505	430,815,928	685,544,150
Disposals/Retirement	—	—	(42,673,058)	—	(440,073,893)	(482,746,951)
Others	—	387,502	—	—	—	387,502
Balance at end of the period	—	670,430,083	2,984,801,478	1,096,905,753	960,695,297	5,712,832,611
Net Book Value	₹976,443,676	₹500,235,558	₹645,181,512	₹57,169,553	₹1,014,092,489	₹3,193,122,788

2023						
	Land	Building	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-use Assets: Building	Total
Cost						
Balance at beginning of the period	₹976,443,676	₹1,155,304,612	₹3,135,342,532	₹1,101,893,510	₹2,001,043,368	₹8,370,027,698
Acquisitions/Additions	—	9,541,646	349,393,788	29,491,286	312,921,930	701,348,650
Disposals/Retirement	—	—	(69,397,401)	—	(350,373,660)	(419,771,061)
Balance at end of the period	976,443,676	1,164,846,258	3,415,338,919	1,131,384,796	1,963,591,638	8,651,605,287
Accumulated Depreciation						
Balance at beginning of the period	—	598,513,254	2,715,701,056	1,041,927,841	887,162,420	5,243,304,571
Depreciation	—	35,811,640	156,665,664	28,339,407	417,200,588	638,017,299
Disposals/Retirement	—	—	(37,264,214)	—	(334,409,746)	(371,673,960)
Balance at end of the period	—	634,324,894	2,835,102,506	1,070,267,248	969,953,262	5,509,647,910
Net Book Value	₹976,443,676	₹530,521,364	₹580,236,413	₹61,117,548	₹993,638,376	₹3,141,957,377

Gain on sale of property and equipment amounted to ₹3.9 million in 2024 and 2023 and ₹12.1 million in 2022.

The details of depreciation under the statements of income follow:

	2024	2023	2022
Property and equipment	₹685,544,150	₹638,017,299	₹580,537,882
Chattel mortgage properties (Note 14)	177,285,886	109,360,006	83,084,760
Investment properties (Note 12)	88,949,946	92,758,455	92,330,079
	₹951,779,982	₹840,135,760	₹755,952,721

As of December 31, 2024 and 2023, property and equipment of the Bank with gross carrying amounts of ₹2.4 billion are fully depreciated but are still being used.



12. Investment Properties

The composition of and movements in this account follow:

	2024		
	Land	Building Improvements	Total
Cost			
Balance at beginning of year	₱1,404,474,771	₱3,221,547,911	₱4,626,022,682
Additions (Note 32)	112,105,951	360,751,014	472,856,965
Disposals	(186,962,754)	(580,680,865)	(767,643,619)
Balance at end of year	1,329,617,968	3,001,618,060	4,331,236,028
Accumulated Depreciation			
Balance at beginning of year	—	486,395,513	486,395,513
Depreciation (Note 11)	—	88,949,946	88,949,946
Disposals	—	(69,316,572)	(69,316,572)
Balance at end of year	—	506,028,887	506,028,887
Allowance for Impairment Losses			
Balance at beginning of year	56,127,134	148,549,851	204,676,985
Provisions for the year (Note 15)	4,325,980	12,233,573	16,559,553
Disposals	(691,199)	(36,155,100)	(36,846,299)
Balance at end of year	59,761,915	124,628,324	184,390,239
Net Book Value	₱1,269,856,053	₱2,370,960,849	₱3,640,816,902

	2023		
	Land	Building Improvements	Total
Cost			
Balance at beginning of year	₱1,372,656,512	₱3,345,050,833	₱4,717,707,345
Additions (Note 32)	196,132,372	464,387,687	660,520,059
Disposals	(164,314,113)	(587,890,609)	(752,204,722)
Balance at end of year	1,404,474,771	3,221,547,911	4,626,022,682
Accumulated Depreciation			
Balance at beginning of year	—	459,729,368	459,729,368
Depreciation (Note 11)	—	92,758,455	92,758,455
Disposals	—	(66,092,310)	(66,092,310)
Balance at end of year	—	486,395,513	486,395,513
Allowance for Impairment Losses			
Balance at beginning of year	57,557,773	168,949,139	226,506,912
Provisions (reversals) for the year (Note 15)	415,646	11,769,290	12,184,936
Disposals	(1,846,285)	(32,168,578)	(34,014,863)
Balance at end of year	56,127,134	148,549,851	204,676,985
Net Book Value	₱1,348,347,637	₱2,586,602,547	₱3,934,950,184

The details of the net book value of investment properties follow:

	2024	2023
Real estate properties acquired in settlement of loans and receivables	₱3,569,659,560	₱3,859,953,928
Bank premises leased to third parties and held for capital appreciation	71,157,342	74,996,256
	₱3,640,816,902	₱3,934,950,184

As of December 31, 2024 and 2023, the aggregate fair value of investment properties amounted to ₱6.5 billion and ₱6.6 billion, respectively. Fair value of the properties was determined using sales comparison approach. Fair values are based on valuations performed by accredited external and in-house appraisers.



Gain on foreclosure of investment properties amounted to ₱205.1 million, ₱233.5 million, and ₱597.4 million in 2024, 2023 and 2022, respectively. Gain on sale of investment properties amounted to ₱215.6 million, ₱128.4 million, and ₱204.3 million in 2024, 2023 and 2022, respectively. Rental income on investment properties included in 'Miscellaneous income' amounted to ₱59.1 million, ₱47.2 million, and ₱44.1 million in 2024, 2023 and 2022, respectively (Notes 23 and 25).

Operating expenses incurred in maintaining investment properties (included under miscellaneous expense - 'Repairs and maintenance') amounted to ₱9.3 million, ₱10.2 million, and ₱11.1 million in 2024, 2023 and 2022, respectively (Note 26).

13. Intangible Assets and Goodwill

This account consists of:

	2024	2023
Goodwill	₱53,558,338	₱53,558,338
Intangible assets		
Software costs	370,106,912	207,515,121
Branch licenses	37,123,737	37,123,737
	407,230,649	244,638,858
	₱460,788,987	₱298,197,196

Movements in intangible assets follow:

	2024		
	Software Costs	Branch Licenses	Total
Balance at beginning of year	₱207,515,121	₱37,123,737	₱244,638,858
Additions	273,949,744	—	273,949,744
Amortization	(111,357,953)	—	(111,357,953)
Balance at end of year	₱370,106,912	₱37,123,737	₱407,230,649

	2023		
	Software Costs	Branch Licenses	Total
Balance at beginning of year	₱243,208,824	₱37,123,737	₱280,332,561
Additions	70,519,156	—	70,519,156
Amortization	(106,212,859)	—	(106,212,859)
Balance at end of year	₱207,515,121	₱37,123,737	₱244,638,858



14. Other Assets

This account consists of:

	2024	2023
Financial assets		
Security deposits (Note 29)	₱209,109,716	₱198,883,979
Liquidity requirement for electronic money products	156,123,260	187,273,039
RCOCI	16,695,847	14,419,807
Others*	447,040	436,826
	382,375,863	401,013,651
Non-financial assets		
Chattel mortgage properties - net	855,404,298	667,892,031
Prepayments (Note 29)	165,991,028	164,561,700
Net retirement assets (Note 24)	63,522,505	—
Stationeries and supplies on hand	38,662,995	44,329,293
Documentary stamps on hand	28,949,779	22,890,982
Creditable withholding tax	24,116,778	45,044,403
Others**	13,934	46,556
	1,176,661,317	944,764,965
	₱1,559,037,180	₱1,345,778,616

* Others under financial assets comprise petty cash fund, shortages, and other investments

** Others under non-financial assets comprise inter-office float items, sundry debits, deferred charges, postages stamps

Liquidity requirement for electronic money products represents the amount set up to be held in trust for the specific purpose of liquidation of balances of electronic money (e-money) products of the Bank in compliance with BSP Circular No. 1166, *Amendments to the Regulations on Electronic Money (e-money) and the Operations of Electronic Money Issuers (EMI) in the Philippines* which was released by BSP on February 7, 2023. The BSP requires Bangko Sentral-Supervised Financial Institutions (BSFIs) to have sufficient liquid assets to always meet e-money redemptions by its customers. Such amount held in the trust account shall not fall below the required minimum balance of at least 50% of the outstanding e-money balances.

Prepayments represent prepaid insurance, rent, taxes, and other prepaid expenses.

Creditable withholding tax (CWT) pertains to the excess credits after applying CWT against income tax payable.

Movements in chattel mortgage properties - net follow:

	2024	2023
Cost		
Balance at beginning of year	₱736,797,092	₱417,400,112
Additions (Note 32)	3,922,282,431	2,320,586,633
Disposals	(3,729,965,320)	(2,001,189,653)
Balance at the end of year	929,114,203	736,797,092
Accumulated Depreciation		
Balance at beginning of year	68,762,517	82,062,955
Depreciation (Note 11)	177,285,886	109,360,006
Disposals	(172,438,895)	(122,660,444)
Balance at the end of year	73,609,508	68,762,517

(Forward)



	2024	2023
Allowance for Impairment Losses		
Balance at beginning of year	₱142,544	₱19,614
Provisions (Note 15)	606,596	674,171
Disposals	(648,744)	(551,241)
Balance at end of year	100,396	142,544
Net Book Value	₱855,404,299	₱667,892,031

Gain on foreclosure of chattel mortgage properties amounted to ₱523.5 million, ₱491.9 million and ₱595.4 million in 2024, 2023 and 2022, respectively.

Gain (loss) on sale of chattel mortgage properties amounted to (₱313.3) million, ₱128.1 million and ₱104.8 million in 2024, 2023 and 2022, respectively.

15. Allowance for Credit and Impairment Losses

An analysis of changes in the ECL allowances for loans and advances to banks as of December 31, 2024 and 2023 follows (in thousands):

	2024						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Due from BSP							
Balance as of January 1, 2024	₱-	₱-	₱-	₱-	₱-	₱-	₱-
New assets originated or purchased	-	-	-	-	-	-	-
Assets derecognized or repaid	-	-	-	-	-	-	-
Balance at December 31, 2024	-	-	-	-	-	-	-
Due from other banks							
Balance at January 1, 2024	1,209	-	-	-	-	-	1,209
New assets originated or purchased	269	-	-	-	-	-	269
Assets derecognized or repaid	-	-	-	-	-	-	-
Balance at December 31, 2024	1,478	-	-	-	-	-	1,478
Total loans and advances to banks							
Balance at January 1, 2024	1,209	-	-	-	-	-	1,209
New assets originated or purchased	269	-	-	-	-	-	269
Assets derecognized or repaid	-	-	-	-	-	-	-
Balance at December 31, 2024	₱1,478	₱-	₱-	₱-	₱-	₱-	₱1,478

	2023						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Due from BSP							
Balance as of January 1, 2023	₱-	₱-	₱-	₱-	₱-	₱-	₱-
New assets originated or purchased	-	-	-	-	-	-	-
Assets derecognized or repaid	-	-	-	-	-	-	-
Balance at December 31, 2023	-	-	-	-	-	-	-
Due from other banks							
Balance at January 1, 2023	14,671	-	-	-	-	-	14,671
New assets originated or purchased	-	-	-	-	-	-	-
Assets derecognized or repaid	(13,462)	-	-	-	-	-	(13,462)
Balance at December 31, 2023	1,209	-	-	-	-	-	1,209
Total loans and advances to banks							
Balance at January 1, 2023	14,671	-	-	-	-	-	14,671
New assets originated or purchased	-	-	-	-	-	-	-
Assets derecognized or repaid	(13,462)	-	-	-	-	-	(13,462)
Balance at December 31, 2023	₱1,209	₱-	₱-	₱-	₱-	₱-	₱1,209



An analysis of changes in the ECL allowances for investment securities as of December 31, 2024 and 2023 follows (in thousands):

	2024						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Financial assets at FVOCI							
Balance at January 1, 2024	₱746	₱–	₱–	₱–	₱–	₱–	₱746
New assets originated or purchased	–	–	–	–	–	–	–
Assets derecognized or repaid	(75)	–	–	–	–	–	(75)
Balance at December 31, 2024	₱671	–	–	–	–	–	₱671
Investment at amortized cost							
Balance at January 1, 2024	13,886	–	–	–	–	–	13,886
New assets originated or purchased	–	–	–	–	–	–	–
Assets derecognized or repaid	(2,648)	–	–	–	–	–	(2,648)
Balance at December 31, 2024	11,238	–	–	–	–	–	11,238
Total investment securities							
Balance at January 1, 2024	14,632	–	–	–	–	–	14,632
New assets originated or purchased	–	–	–	–	–	–	–
Assets derecognized or repaid	(2,723)	–	–	–	–	–	(2,723)
Balance at December 31, 2024	₱11,909	₱–	₱–	₱–	₱–	₱–	₱11,909
	2023						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Financial assets at FVOCI							
Balance at January 1, 2023	₱954	₱–	₱–	₱–	₱–	₱–	₱954
New assets originated or purchased	–	–	–	–	–	–	–
Assets derecognized or repaid	(208)	–	–	–	–	–	(208)
Balance at December 31, 2023	746	–	–	–	–	–	746
Investment at amortized cost							
Balance at January 1, 2023	18,573	–	–	–	–	–	18,573
New assets originated or purchased	–	–	–	–	–	–	–
Assets derecognized or repaid	(4,687)	–	–	–	–	–	(4,687)
Balance at December 31, 2023	13,886	–	–	–	–	–	13,886
Total investment securities							
Balance at January 1, 2023	19,527	–	–	–	–	–	19,527
New assets originated or purchased	–	–	–	–	–	–	–
Assets derecognized or repaid	(4,895)	–	–	–	–	–	(4,895)
Balance at December 31, 2023	₱14,632	₱–	₱–	₱–	₱–	₱–	₱14,632

An analysis of changes in the ECL allowances for receivables from customers as of December 31, 2024 and 2023 follows (in thousands):

	2024						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Consumption Loans							
Balance at January 1, 2024	₱–	₱2,017,898	₱–	₱609,879	₱1,289,692	₱–	₱3,917,469
New assets originated or purchased	–	548,317	–	131,756	218,429	–	898,502
Assets derecognized or repaid	–	(168,720)	–	(134,311)	(165,630)	–	(468,661)
Amounts written off	–	–	–	(113,217)	(973,602)	–	(1,086,819)
Transfers to Stage 1	–	116,573	–	(95,879)	(20,694)	–	–
Transfers to Stage 2	–	(220,163)	–	248,315	(28,152)	–	–
Transfers to Stage 3	–	(53,564)	–	(67,668)	121,232	–	–
Impact on change in assumptions	–	(1,323,320)	–	180,593	373,963	–	(768,764)
Balance at December 31, 2024	–	917,021	–	759,468	815,238	–	2,491,727
Real Estate Loans							
Balance at January 1, 2024	–	194,310	–	573,099	195,520	–	962,929
New assets originated or purchased	–	41,333	–	2,697	4,274	–	48,304
Assets derecognized or repaid	–	(8,314)	–	(46,662)	(31,703)	–	(86,679)
Amounts written off	–	–	–	–	–	–	–
Transfers to Stage 1	–	332,614	–	(324,461)	(8,153)	–	–
Transfers to Stage 2	–	(8,648)	–	39,612	(30,964)	–	–
Transfers to Stage 3	–	(1,090)	–	(17,764)	18,854	–	–
Impact on change in assumptions	–	(468,623)	–	(56,052)	23,479	–	(501,196)
Balance at December 31, 2024	–	81,582	–	170,469	171,307	–	423,358

(Forward)



	2024						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Commercial Loans							
Balance at January 1, 2024	₱–	₱28,414	₱–	₱14,923	₱184,839	₱–	₱228,176
New assets originated or purchased	–	5,404	–	1,106	–	–	6,510
Assets derecognized or repaid	–	(10,434)	–	(512)	(6,638)	–	(17,584)
Amounts written off	–	–	–	–	–	–	–
Transfers to Stage 1	–	2,001	–	(574)	(1,427)	–	–
Transfers to Stage 2	–	(131)	–	418	(287)	–	–
Transfers to Stage 3	–	(17)	–	(214)	231	–	–
Impact on change in assumptions	–	7,149	–	1,160	8,478	–	16,787
Balance at December 31, 2024	–	32,386	–	16,307	185,196	–	233,889
Personal Loans							
Balance at January 1, 2024	–	70,708	–	217,699	184,753	–	473,160
New assets originated or purchased	–	44,926	–	19,128	10,805	–	74,859
Assets derecognized or repaid	–	(19,358)	–	(2,798)	(19,483)	–	(41,639)
Amounts written off	–	–	–	(33,359)	(80,360)	–	(113,719)
Transfers to Stage 1	–	18,435	–	(18,398)	(37)	–	–
Transfers to Stage 2	–	(41,423)	–	41,500	(77)	–	–
Transfers to Stage 3	–	(1,638)	–	(14,261)	15,899	–	–
Impact on change in assumptions	–	(24,006)	–	(137,248)	32,025	–	(129,229)
Balance at December 31, 2024	–	47,644	–	72,263	143,525	–	263,432
Total Receivables from Customers							
Balance at January 1, 2024	–	2,311,330	–	1,415,600	1,854,804	–	5,581,734
New assets originated or purchased	–	639,980	–	154,687	233,508	–	1,028,175
Assets derecognized or repaid	–	(206,826)	–	(184,283)	(223,454)	–	(614,563)
Amounts written off	–	–	–	(146,576)	(1,053,962)	–	(1,200,538)
Transfers to Stage 1	–	469,623	–	(439,312)	(30,311)	–	–
Transfers to Stage 2	–	(270,365)	–	329,845	(59,480)	–	–
Transfers to Stage 3	–	(56,309)	–	(99,907)	156,216	–	–
Impact on change in assumptions	–	(1,808,800)	–	(11,547)	437,945	–	(1,382,402)
Balance at December 31, 2024	₱–	₱1,078,633	₱–	₱1,018,507	₱1,315,266	₱–	₱3,412,406

	2023						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Consumption Loans							
Balance at January 1, 2023	₱–	₱1,706,746	₱–	₱569,605	₱938,875	₱–	₱3,215,226
New assets originated or purchased	–	1,514,645	–	116,684	185,796	–	1,817,125
Assets derecognized or repaid	–	(132,064)	–	(182,992)	(348,783)	–	(663,839)
Amounts written off	–	–	–	–	(145,656)	–	(145,656)
Transfers to Stage 1	–	104,699	–	(87,647)	(17,052)	–	–
Transfers to Stage 2	–	(165,555)	–	196,066	(30,511)	–	–
Transfers to Stage 3	–	(46,230)	–	(79,764)	125,994	–	–
Impact on change in assumptions	–	(964,343)	–	77,927	581,029	–	(305,387)
Balance at December 31, 2023	–	2,017,898	–	609,879	1,289,692	–	3,917,469
Real Estate Loans							
Balance at January 1, 2023	–	246,988	–	547,520	311,961	–	1,106,469
New assets originated or purchased	–	42,543	–	4,412	4,610	–	51,565
Assets derecognized or repaid	–	(10,694)	–	(45,306)	(42,410)	–	(98,410)
Amounts written off	–	–	–	–	–	–	–
Transfers to Stage 1	–	67,007	–	(63,962)	(3,045)	–	–
Transfers to Stage 2	–	(77,394)	–	114,111	(36,717)	–	–
Transfers to Stage 3	–	(1,822)	–	(19,200)	21,022	–	–
Impact on change in assumptions	–	(72,318)	–	35,523	(59,900)	–	(96,695)
Balance at December 31, 2023	–	194,310	–	573,098	195,521	–	962,929
Commercial Loans							
Balance at January 1, 2023	–	55,871	–	35,208	176,753	–	267,832
New assets originated or purchased	–	6,824	–	38	5,317	–	12,179
Assets derecognized or repaid	–	(28,497)	–	(18,003)	(15,764)	–	(62,264)
Amounts written off	–	–	–	–	–	–	–
Transfers to Stage 1	–	9,333	–	(9,303)	(30)	–	–
Transfers to Stage 2	–	(774)	–	854	(80)	–	–
Transfers to Stage 3	–	(75)	–	(331)	406	–	–
Impact on change in assumptions	–	(14,268)	–	6,460	18,237	–	10,429
Balance at December 31, 2023	–	28,414	–	14,923	184,839	–	228,176

(Forward)



	2023						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Personal Loans							
Balance at January 1, 2023	P=	P107,081	P=	P256,563	P214,182	P=	P577,826
New assets originated or purchased	—	38,158	—	62,300	12,539	—	112,997
Assets derecognized or repaid	—	(29,839)	—	-37,020	(1,025)	—	(67,884)
Amounts written off	—	—	—	—	(112,283)	—	(112,283)
Transfers to Stage 1	—	41,548	—	(41,461)	(87)	—	—
Transfers to Stage 2	—	(12,285)	—	12,527	(242)	—	—
Transfers to Stage 3	—	(2,900)	—	-20,676	23,576	—	—
Impact on change in assumptions	—	(71,053)	—	-14,536	48,093	—	(37,496)
Balance at December 31, 2023	—	70,710	—	217,697	184,753	—	473,160
Total Receivables from Customers							
Balance at January 1, 2023	—	2,116,686	—	1,408,896	1,641,771	—	5,167,353
New assets originated or purchased	—	1,602,170	—	183,434	208,262	—	1,993,866
Assets derecognized or repaid	—	(201,094)	—	(283,321)	(407,983)	—	(892,398)
Amounts written off	—	—	—	—	(257,939)	—	(257,939)
Transfers to Stage 1	—	222,587	—	(202,373)	(20,214)	—	—
Transfers to Stage 2	—	(256,008)	—	323,558	(67,550)	—	—
Transfers to Stage 3	—	(51,027)	—	(119,971)	170,998	—	—
Impact on change in assumptions	—	(1,121,982)	—	105,374	587,459	—	(429,149)
Balance at December 31, 2023	P=	P2,311,332	P=	P1,415,597	P1,854,804	P=	P5,581,733

An analysis of changes in the ECL allowances for other receivables as of December 31, 2024 and 2023 follows (in thousands):

	2024						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Accrued Interest Receivable							
Balance as of January 1, 2024	₹—	₹19,026	₹—	₹15,088	₹38,113	₹—	₹72,227
New assets originated or purchased	—	5,652	—	1,666	6,928	—	14,246
Assets derecognized or repaid	—	(2,052)	—	(4,398)	(32,563)	—	(39,013)
Amounts written off	—	—	—	—	—	—	—
Transfers to Stage 1	—	2,559	—	(2,297)	(262)	—	—
Transfers to Stage 2	—	(2,785)	—	3,185	(400)	—	—
Transfers to Stage 3	—	(584)	—	(1,433)	2,017	—	—
Impact on change in assumptions	—	(12,262)	—	933	11,590	—	261
Balance at December 31, 2024	—	9,554	—	12,744	25,423	—	47,721
Sales Contract Receivable							
Balance as of January 1, 2024	—	6	—	20	546	—	572
New assets originated or purchased	—	—	—	—	—	—	—
Assets derecognized or repaid	—	(6)	—	(6)	(176)	—	(188)
Amounts written off	—	—	—	—	—	—	—
Transfers to Stage 1	—	14	—	(14)	—	—	—
Transfers to Stage 2	—	—	—	—	—	—	—
Transfers to Stage 3	—	(14)	—	—	(6)	—	(20)
Impact on change in assumptions	—	—	—	—	—	—	—
Balance at December 31, 2024	—	—	—	—	364	—	364
Total Other Receivables							
Balance as of January 1, 2024	—	19,032	—	15,108	38,659	—	72,799
New assets originated or purchased	—	5,652	—	1,666	6,928	—	14,246
Assets derecognized or repaid	—	(2,058)	—	(4,404)	(32,739)	—	(39,201)
Amounts written off	—	—	—	—	—	—	—
Transfers to Stage 1	—	2,573	—	(2,311)	(262)	—	—
Transfers to Stage 2	—	(2,785)	—	3,185	(400)	—	—
Transfers to Stage 3	—	(598)	—	(1,433)	2,011	—	(20)
Impact on change in assumptions	—	(12,262)	—	933	11,590	—	261
Balance at December 31, 2024	₹—	₹9,554	₹—	₹12,744	₹25,787	₹—	₹48,085

	2023						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Accrued Interest Receivable							
Balance as of January 1, 2023	P—	P18,183	P—	P18,826	P25,734	P—	P62,743
New assets originated or purchased	—	13,079	—	2,345	9,193	—	24,617
Assets derecognized or repaid	—	(1,855)	—	(4,094)	(15,174)	—	(21,123)
Amounts written off	—	—	—	—	—	—	—
Transfers to Stage 1	—	2,621	—	(2,459)	(162)	—	—
Transfers to Stage 2	—	(2,267)	—	2,657	(390)	—	—
Transfers to Stage 3	—	(568)	—	(2,317)	2,885	—	—
Impact on change in assumptions	—	(10,167)	—	130	16,027	—	5,990
Balance at December 31, 2023	—	19,026	—	15,088	38,113	—	72,227

(Forward)



	2023						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Sales Contract Receivable							
Balance as of January 1, 2023	₱—	₱1	₱—	₱11	₱172	₱—	₱184
New assets originated or purchased	—	—	—	—	—	—	—
Assets derecognized or repaid	—	—	—	(6)	(37)	—	(43)
Amounts written off	—	—	—	—	—	—	—
Transfers to Stage 1	—	6	—	(6)	—	—	—
Transfers to Stage 2	—	—	—	3	(3)	—	—
Transfers to Stage 3	—	—	—	—	—	—	—
Impact on change in assumptions	—	(1)	—	17	414	—	430
Balance at December 31, 2023	—	6	—	19	546	—	571
Total Other Receivables							
Balance as of January 1, 2023	—	18,184	—	18,837	25,906	—	62,927
New assets originated or purchased	—	13,079	—	2,345	9,193	—	24,617
Assets derecognized or repaid	—	(1,855)	—	(4,100)	(15,211)	—	(21,166)
Amounts written off	—	—	—	—	—	—	—
Transfers to Stage 1	—	2,627	—	(2,465)	(162)	—	—
Transfers to Stage 2	—	(2,267)	—	2,660	(393)	—	—
Transfers to Stage 3	—	(568)	—	(2,317)	2,885	—	—
Impact on change in assumptions	—	(10,168)	—	147	16,441	—	6,420
Balance at December 31, 2023	₱—	₱19,032	₱—	₱15,107	₱38,659	₱—	₱72,798

The ECL allowance on accounts receivables of the Bank based on their aging as of December 31, 2024 and 2023 follows:

Age of accounts receivables	2024	2023
Up to 1 month	₱23,990,829	₱5,566,498
> 1 to 2 months	1,105,543	1,710,417
> 2 to 3 months	1,259,561	1,103,576
More than 3 months	492,031,135	500,601,795
	₱518,387,068	₱508,982,286

As of December 31, 2024 and 2023, the Bank's undrawn portion of committed credit lines amounted to ₱4.2 billion and ₱4.0 billion, respectively. As of December 31, 2024 and 2023, provision on undrawn portion of committed credit lines amounted to ₱38.9 million and ₱132.8 million, respectively (Note 19).

The details of provisions (reversals) under the statements of income follow:

	2024	2023
Loans and receivables (Note 9)	₱199,726,806	₱1,456,586,418
Investment properties (Note 12)	16,559,553	12,184,936
Investment securities	(2,723,268)	(4,894,264)
Due from other banks	269,350	(13,461,465)
Chattel mortgage (Note 14)	606,596	674,171
	₱214,439,037	₱1,451,089,796

The reduction in the Bank's provisions in 2024 reflects a combination of strategic initiatives aimed at strengthening portfolio quality and optimizing risk management. Proactive credit management, a secured loan portfolio, and effective recovery strategies played a significant role in mitigating risk and supporting portfolio stability. Enhancements to ECL model components, particularly overlay models, allowed provisions to align more closely with improved economic conditions, moving away from the assumptions embedded in pandemic-era models. Additionally, refinements in Probability of Default (PD) and Loss Given Default (LGD) models enabled more precise risk assessments and provisioning. Collectively, these efforts have contributed to lower provisions, even as the loan portfolio continued to expand.



16. Deposit Liabilities

Interest expense on deposit liabilities consists of:

	2024	2023	2022
Time (Note 29)	₱4,367,299,538	₱5,307,552,802	₱2,416,715,820
Demand (Note 29)	50,131,705	50,405,931	54,394,093
Savings	44,979,521	44,377,682	44,392,032
LTNCD	12,715,457	260,840,070	295,891,550
	₱4,475,126,221	₱5,663,176,485	₱2,811,393,495

Peso-denominated deposit liabilities earn annual fixed interest rates ranging from 0.10% to 6.28% in 2024, from 0.10% to 6.25% in 2023 and 0.10% to 6.00% in 2022, while foreign currency-denominated deposit liabilities earn annual fixed interest rates ranging from 0.05% to 4.95% in 2024, 0.05% to 6.25% in 2023 and from 0.05% to 0.25% in 2022. Effective interest rates on deposit liabilities range from 0.05% to 5.15% in 2024, from 0.10% to 5.30% in 2023, and from 0.10% to 3.94% in 2022.

In 2024, the Bangko Sentral ng Pilipinas issued BSP Circular No. 1201 reducing the reserve requirements against deposits to 1.00% from 2.00% for thrift banks. The required reserves can be kept in the form of deposit maintained in the demand deposit accounts with the BSP and any government securities used as compliance until they mature. Further, BSP Circular No. 1100 issued in 2020 and amended by BSP Circular No. 1155 issued in 2022 allowing banks to use peso denominated loans that are granted after March 15, 2020 to (1) micro-small-and-medium-enterprises (MSMEs) and (2) large enterprise excluding banks and non-bank financial institutions with quasi-banking functions that met the definition of MSMEs/large enterprise as alternative compliances with the reserve requirements. The use of MSMEs loans/loans to large enterprises as allowable alternative compliance with reserve requirements was available until June 30, 2023 only. In the case of TBs, RBs, and Coop banks, the outstanding MSME loans of these banks that are utilized as alternative compliance with the reserve requirement as of June 30, 2023 shall remain eligible for such purpose until said loans are fully paid but not later than December 31, 2025. As of December 31, 2024 and 2023, Due from BSP amounting to ₱1.2 billion and ₱3.3 billion, respectively, and MSME loans amounting to ₱0.5 billion and ₱0.9 billion, respectively, were set aside as reserves for deposit liabilities. As reported to the BSP, the Bank is in compliance with such regulations as of December 31, 2024 and 2023.

On December 8, 2016, the BSP authorized the Bank to issue LTNCDs up to ₱10.0 billion through one or multiple tranches over a period of one year. On January 30, 2017, the Bank issued the first tranche of LTNCDs amounting to ₱3.4 billion with a tenor of five (5) years and three (3) months and due on April 30, 2022 with interest rate of 3.50% per annum payable quarterly. The minimum investment size for the LTNCDs is ₱50,000 with increments of ₱50,000 thereafter. Subject to BSP Rules, the Bank has the option to pre-terminate the LTNCDs as a whole but not in part, prior to maturity and on any interest payment date at face value plus accrued interest covering the accrued and unpaid interest.

On July 13, 2018, the BSP authorized the Bank to issue LTNCDs up to ₱15.0 billion through one or multiple tranches over a period of one year. On August 9, 2018, the Bank issued the first tranche of LTNCDs amounting to ₱5.1 billion with a tenor of five (5) years and six (6) months and due on February 9, 2024 with interest rate of 5.00% per annum payable quarterly. The minimum investment size for the LTNCDs is ₱50,000 with increments of ₱50,000 thereafter. Subject to BSP Rules, the Bank has the option to pre-terminate the LTNCDs as a whole but not in part, prior to maturity and on any interest payment date at face value plus accrued interest covering the accrued and unpaid interest.



As of December 31, 2024 and 2023, deferred financing cost on LTNCDs amounted to nil and ₱0.3 million, respectively. Amortization of deferred financing cost amounted to ₱0.3 million and ₱6.6 million in 2024 and 2023, respectively.

17. Bills Payable and Bonds Payable

Bills Payable

As of December 31, 2024 and 2023, Bills Payable amounted to nil and ₱271.9 million, respectively.

Annual interest rate on dollar-denominated securities under resale agreement (SSURA) ranges from 5.09% to 5.91%, 4.79% to 5.91%, 5.05% to 5.09%, in 2024, 2023 and 2022, respectively.

Interest expense on bills payable in 2024, 2023, and 2022 amounted to ₱20.3 million, ₱35.3 million, and ₱21.9 thousand, respectively (Note 29).

Bonds Payable

On February 4, 2020, the Bank issued fixed rate bonds amounting to ₱4.7 billion with a tenor of three (3) years and with interest rate of 4.5% per annum payable quarterly already matured on February 4, 2023. The minimum investment size for the bonds payable is ₱0.5 million with increments of ₱0.1 million thereafter. Debt issuance cost related to the issuance amounted to ₱42.7 million. There were no transactions in 2024.

Interest expense incurred on bonds due in 2024 is nil, ₱20.7 million in 2023 and ₱224.0 million in 2022. Amortization of debt issuance costs is nil in 2024, ₱1.6 million in 2023 and ₱14.8 million in 2022.

18. Accrued Taxes, Interest and Other Expenses

This account consists of:

	2024	2023
Accrued interest payable	₱321,208,714	₱515,706,331
Accrued other taxes and licenses payable	320,636,725	304,180,386
Accrued other expenses payable (Note 29)	1,604,600,834	1,843,650,786
	₱2,246,446,273	₱2,663,537,503

Accrued other expenses payable consists of:

	2024	2023
Compensation and fringe benefits	₱741,950,774	₱597,067,561
Litigation	357,433,281	627,167,507
Insurance (Note 29)	166,683,439	189,856,417
Information technology (Note 29)	130,879,980	148,708,322
Repairs and maintenance	41,582,060	50,282,060
Rental - ATM Offsites	37,989,751	37,989,751
Security, messengerial and janitorial	36,204,686	39,070,448

(Forward)



	2024	2023
ATM maintenance	₱20,400,132	₱24,040,826
Donations	14,517,956	23,369,956
Advertising	10,510,397	34,173,067
Membership, fees and dues	3,773,951	3,773,951
Miscellaneous	42,674,427	68,150,920
	₱1,604,600,834	₱1,843,650,786

Compensation and fringe benefits include bonuses, as well as medical, dental and hospitalization benefits.

Miscellaneous include accruals for utilities and maintenance and other expenses.

19. Other Liabilities

This account consists of:

	2024	2023
Financial liabilities		
Accounts payable (Note 29)	₱2,071,731,704	₱1,998,393,906
Lease liabilities (Note 25)	1,190,529,789	1,181,200,923
Other credits	221,609,042	169,937,805
Overages	4,895,091	4,108,652
Deposit for keys – SDB	734,395	741,645
Bills purchased – contra (Note 9)	–	42,243,033
	3,489,500,021	3,396,625,964
Non-financial liabilities		
Sundry credits	91,964,895	222,364,272
Withholding taxes payable	89,391,301	116,772,129
Due to the Treasurer of the Philippines	40,721,456	36,437,950
Provision on undrawn portion of committed credit lines (Note 15)	38,893,036	132,829,383
SSS, Medicare, ECP and HDMF premium payable	22,387,898	20,016,801
Net retirement liability (Note 24)	–	241,017,602
Miscellaneous (Note 29)	63,072,130	40,870,530
	346,430,716	810,308,667
Total	₱3,835,930,737	₱4,206,934,631

Accounts payable includes payable to suppliers and service providers, and loan payments and other charges received from customers in advance.

Other credits represent long-outstanding unclaimed cashier's checks.

Sundry credits represent various items or transactions which cannot be classified immediately under any credit account and subsequently classified to proper credit accounts the following month.



20. Maturity Analysis of Assets and Liabilities

The following table shows an analysis of assets and liabilities analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from the statement of condition dates (in thousands):

	December 31			December 31		
	2024			2023		
	Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
Financial Assets						
Cash and other cash items	P1,781,441	P-	P1,781,441	P1,653,555	P-	P1,653,555
Due from BSP - gross	1,183,357	-	1,183,357	9,745,634	-	9,745,634
Due from other banks - gross	1,816,578	-	1,816,578	1,765,439	-	1,765,439
Interbank call loans receivable and SPURA - gross (Note 7)	400,000	-	400,000	6,989,636	-	6,989,636
FVTPL investments (Note 8)	300,599	-	300,599	414,298	-	414,298
Financial assets at FVOCI (Note 8)	8,732,721	17,159,470	25,892,191	52,558,045	1,801,649	54,359,694
Investment securities at amortized cost - gross (Note 8)	3,383,179	26,724,380	30,107,559	1,545,720	28,361,334	29,907,054
Loans and receivables - gross (Note 9)	12,844,071	135,033,176	147,877,247	13,806,138	115,236,813	129,042,951
Other assets* (Note 14)	192,173	190,203	382,376	236,741	164,273	401,014
	30,634,119	179,107,229	209,741,348	88,715,206	145,564,069	234,279,275
Nonfinancial Assets						
Investment in a joint venture (Note 10)	-	892,037	892,037	-	870,179	870,179
Property and equipment - gross (Note 11)	-	8,905,955	8,905,955	-	8,651,605	8,651,605
Investment properties - gross (Note 12)	-	4,331,236	4,331,236	-	4,626,023	4,626,023
Deferred tax assets (Note 27)	-	1,318,508	1,318,508	-	1,257,608	1,257,608
Intangible assets and goodwill - gross	-	572,147	572,147	-	404,410	404,410
Other assets - gross** (Note 14)	257,734	992,637	1,250,371	276,873	736,797	1,013,670
	257,734	17,012,520	17,270,254	276,873	16,546,622	16,823,495
Less: Allowance for credit and impairment losses (Note 15)			4,176,085			6,383,451
Accumulated depreciation and amortization (Notes 11, 12, 13 and 14)			6,403,829			6,171,020
Unearned discounts and capitalized interest (Note 9)			74,916			115,003
			10,654,830			12,669,474
			P216,356,772			P238,433,296

* Other assets under financial assets comprise security deposits, liquidity requirement for electronic money products, RCOCI, petty cash fund, shortages and other investments

** Other assets under nonfinancial assets comprise chattel mortgage properties, net retirement assets, prepayments, documentary stamps on hand, stationeries and supplies on hand, creditable withholding tax, inter-office float items, sundry debits, deferred charges, postages stamps.

	December 31			December 31		
	2024			2023		
	Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
Financial Liabilities						
Deposit liabilities (Note 16)	P146,990,994	P17,562,035	P164,553,029	P174,454,708	P15,167,996	P189,622,704
Bills payable	-	-	-	271,896	-	271,896
Bonds payable (Note 17)	-	-	-	-	-	-
Treasurer's, cashier's and manager's checks	1,615,438	-	1,615,438	1,514,066	-	1,514,066
Accrued other expenses payable (Note 18)	1,604,601	-	1,604,601	1,843,651	-	1,843,651
Accrued interest payable (Note 18)	321,209	-	321,209	515,706	-	515,706
Other liabilities* (Note 19)	2,707,917	781,583	3,489,500	2,574,961	821,665	3,396,626
	153,240,159	18,343,618	171,583,777	181,174,988	15,989,661	197,164,649
Nonfinancial Liabilities						
Accrued other taxes and licenses payable (Note 18)	320,637	-	320,637	304,180	-	304,180
Other liabilities** (Note 19)	213,744	132,687	346,431	551,507	258,802	810,309
	534,381	132,687	667,068	855,687	258,802	1,114,489
	P153,774,540	P18,476,305	P172,250,845	P182,030,675	P16,248,463	P198,279,138

* Other liabilities under financial liabilities comprise accounts payable, lease liabilities, bills purchased contra, other credits, overages, and deposit for safety deposit box.

** Other liabilities under nonfinancial liabilities comprise provision on undrawn portion of committed credit lines, withholding taxes payable, sundry credits, due to the treasurer of the Philippines, SSS, Medicare, ECP & HDMF premium payable, and miscellaneous liabilities.

21. Equity

Issued Capital

As of December 31, 2024 and 2023, the Bank's capital stock consists of:

	2024		2023	
	Shares	Amount	Shares	Amount
Authorized common stock - P10.0 par value	600,000,000	P6,000,000,000	600,000,000	P6,000,000,000
Issued and outstanding				
Beginning balance	426,859,416	4,268,594,160	426,859,416	4,268,594,160
Ending balance	426,859,416	P4,268,594,160	426,859,416	P4,268,594,160



The Bank became listed in the Philippine Stock Exchange (PSE) on October 10, 1994. Subsequently, the SEC approved the increase in the capital stock of the Bank. The summarized information on the Bank's registration of securities under the Securities Regulation Code follows:

Date of SEC Approval	Type	Authorized Shares	Par Value
August 16, 1995	Common	300,000,000	₱10
October 8, 1997	Common	425,000,000	10

As of December 31, 2024 and 2023, the total number of stockholders is 1,432 and 1,438 with share price closed at ₱58.2 and ₱53.0, respectively.

On November 28, 2018, the PSE approved the application of the Bank for the listing of additional 142,856,925 common shares to cover the Bank's 1:1.68177 stock rights offering at an offer price of 56.0 per share or additional capital of ₱8.0 billion. The Bank successfully completed 8.0 billion stock rights offer and shares were listed on January 18, 2019 in the PSE. Capital paid in excess of par related to the offering amounted to ₱6.5 billion, net of transactions costs of ₱101.5 million.

On March 12, 2019, the BOD approved (a) the amendment of the AOI to increase the authorized capital stock from ₱4.3 billion to ₱6.0 billion and (b) the declaration of a 11.42% stock dividend equivalent to 43,750,000 shares amounting to ₱2.6 billion representing the minimum 11.42% subscription and paid-up capital for the increase in the authorized capital stock of the Bank which were ratified by the stockholders representing at least 2/3 of the outstanding capital stock on April 15, 2019. These were approved by BSP on August 8, 2019 and by the SEC on November 20, 2019. Following this, the authorized capital stock of the Bank increased from ₱4.3 billion to ₱6.0 billion consisting of 600.0 million common shares with par value of ₱10.00 per share.

On January 16, 2020, the Bank received the SEC order fixing the record date of the 11.42% stock dividend on January 31, 2020. The 11.42% stock dividend was issued on February 21, 2020 with record date on January 31, 2020. On February 17, 2020, the PSE approved the listing of such stock dividend. Capital paid in excess of par related to the issuance of stock dividend amounted to ₱2.1 billion.

Dividends Paid and Proposed

Details of the Bank's dividend distributions as approved by the Bank's BOD and the BSP follow:

Cash Dividends				
Date of declaration	Per share	Total amount	Record date	Payment date
January 17, 2022	₱0.75	₱320,144,562	February 2, 2022	February 16, 2022
April 25, 2022	0.75	320,144,562	May 11, 2022	May 21, 2022
July 21, 2022	0.75	320,144,562	August 5, 2022	August 22, 2022
October 20, 2022	0.75	320,144,562	November 7, 2022	November 21, 2022
January 26, 2023	0.75	320,144,562	February 10, 2023	February 27, 2023
April 27, 2023	0.75	320,144,562	May 15, 2023	May 29, 2023
July 20, 2023	0.75	320,144,562	August 4, 2023	August 22, 2023
October 19, 2023	0.75	320,144,562	November 8, 2023	November 20, 2023
January 18, 2024	0.75	320,144,562	February 2, 2024	February 19, 2024
April 25, 2024	0.75	320,144,562	May 13, 2024	May 27, 2024
July 25, 2024	0.75	320,144,562	August 9, 2024	August 27, 2024
October 17, 2024	0.75	320,144,562	November 4, 2024	November 18, 2024
Stock Dividends				
Date of declaration	Per share	Total amount	Record date	Payment date
March 12, 2019	11.42%	₱-	January 31, 2020	February 21, 2020

On October 9, 2015, the BSP issued Circular No. 888, Amendments to Regulations on Dividend Declaration and Interest Payments on Tier 1 Capital Instruments, which liberalized said rules in the sense that prior BSP verification and approval is no longer required except for banks with major



supervisory concerns. However, banks are bound to comply with the provisions of Section X136 of the Manual of Regulations for Banks (MORB) and its subsections, including the submission of documentary requirements under Subsection X136.4 of the MORB. Otherwise, banks, subsequently found to have violated the provisions on dividend declaration or have falsely certified/submitted misleading statements shall be reverted to the prior BSP verification wherein the bank can only make an announcement or communication on the declaration of the dividends or payment of dividends thereon upon receipt of BSP advice thereof. The Bank is compliant with the said circular.

The computation of surplus available for dividend declaration in accordance with SEC Memorandum Circular No. 11 issued in December 2008 differs to a certain extent from the computation following BSP guidelines.

In compliance with BSP regulations, 10.00% of the Bank's profit from trust business is appropriated to surplus reserves. This annual appropriation is required until the surplus reserves for trust business equals 20.00% of the Bank's authorized capital stock.

A portion of the surplus corresponding to the accumulated net earnings of a joint venture is not available for dividend declaration until receipt of cash dividends from the investee.

Capital Management

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements, as mandated by the BSP, and that the Bank maintains healthy capital ratios in order to support its business and maximize returns for its shareholders. The Bank considers its paid in capital and surplus as its capital.

The Bank manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payments to shareholders or issue capital securities. The major activities in this area include the following:

- The Bank issued additional common shares for its qualified stockholders in 2008 and 2006 through stock rights offerings that raised ₱2.0 billion and ₱750.0 million in capital, respectively.
- On October 21, 2016, the BOD approved the Bank's updated Dividend Policy which provides, among others, the declaration and payment of cash dividends at a rate of ₱0.75 per share on a quarterly basis unless approved by a majority vote of the BOD at a different rate or otherwise restricted/prohibited from declaring/paying dividends.

Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's unimpaired capital (regulatory capital) as reported to the BSP. This is determined on the basis of regulatory accounting policies which differ from PFRS Accounting Standards in some respects.

In addition, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% for both solo basis and consolidated basis. Qualifying capital and risk-weighted assets are computed based on BSP regulations.

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 Monetary Board of the BSP.



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

On March 29, 2022, the BSP issued Circular No. 1142, Amendments to the Guidelines on the Computation of Minimum Required Capital and Risk-Based Capital Adequacy Ratio, which provides amended guidelines on the computation of the minimum required capital and the risk-based capital adequacy ratio.

The Bank considered BSP regulations, which set out a minimum CET1 ratio of 6.00% and Tier 1 capital ratio of 7.50%, and require capital conservation buffer of 2.50% comprised of CET1 capital. The BSP's existing requirement for Total CAR remains unchanged at 10.00% and these ratios shall be maintained at all times.

The CAR of the Bank as of December 31, as reported to the BSP, based on BSP Circular No. 781 and BSP Circular No. 538, respectively, are shown in the table below (amounts in millions).

	2024	2023
Tier 1 capital	₱41,887	₱38,876
CET1 capital	41,887	38,876
Less: Required deductions	3,412	2,998
Total Tier 1 Capital	38,475	35,878
Total Tier 2 capital	1,767	1,368
Total qualifying capital	40,242	37,246
Risk weighted assets	₱170,838	₱152,250
Tier 1 ratio	22.52%	23.56%
CET1 ratio	22.52%	23.56%
Capital adequacy ratio	23.56%	24.46%

Regulatory qualifying capital consists of Tier 1 (going concern) capital, which comprises capital stock, surplus, surplus reserves, net unrealized gains on FVOCI securities, cumulative foreign currency translation and remeasurements of net defined benefit asset. Certain adjustments are made to PFRS-based results and reserves, as prescribed by the BSP. The other component of regulatory capital is Tier 2 (gone-concern) capital, which is comprised of the Bank's general loan loss provision. Certain items are deducted from the regulatory Gross Qualifying Capital, such as but not limited to, outstanding unsecured credit accommodations, both direct and indirect, to DOSRI, and unsecured loans, other credit accommodations, and guarantees granted to subsidiaries and affiliates (net of specific provisions), deferred tax assets, goodwill, other intangible assets and significant minority investments in a joint venture.

Risk-weighted assets are determined by assigning defined risk weights to amounts of on-balance sheet exposures and to the credit equivalent amounts of off-balance sheet exposures.

As of December 31, 2024 and 2023, the Bank has complied with the requirements of BSP Circular No. 781 and BSP Circular No. 538.

On October 29, 2014, the BSP issued Circular No. 856 which covers the implementing guidelines on the framework for dealing with domestic systemically important banks (DSIBs) in accordance with the Basel III standards. Banks identified as DSIBs shall be required to have higher loss absorbency,



on top of the minimum CET1 capital and capital conservation buffer. Compliance with this requirement was phased-in starting January 1, 2017, with full compliance on January 1, 2019. On September 27, 2019, the BSP issued Circular No. 1051 which covers the enhancements in the assessment methodology of D-SIBs. The Bank has complied with this requirement.

The issuance of BSP Circular No. 639 covering the Internal Capital Adequacy Assessment Process (ICAAP) in 2009 supplements the BSP's risk-based capital adequacy framework under BSP Circular No. 538. In compliance with this new circular, the Metrobank Group has adopted and developed its ICAAP framework to ensure that appropriate level and quality of capital are maintained by the Group. Under this framework, the assessment of risks extends beyond the Pillar 1 set of credit, market and operational risks and onto other risks deemed material by the Group. The level and structure of capital are assessed and determined in light of the Group's business environment, plans, performance, risks and budget, as well as regulatory directives. The Bank follows the Group's ICAAP framework and submits the result of its assessment to the Parent Company. Per BSP Circular No. 869, effective January 31, 2015, submission of an ICAAP document is required by BSP every March 31 of each year. The Bank has complied with this requirement.

The Bank has taken into consideration the impact of the foregoing requirements to ensure that the appropriate level and quality of capital are maintained on an ongoing basis.

BASEL III Leverage Ratio (BLR)

On June 9, 2015, the BSP issued Circular No. 881 covering the implementing guidelines on the Basel III Leverage Ratio Framework which is designed to act as a supplementary measure to the risk-based capital requirements and shall not be less than 5.0 percent. The monitoring period has been set every quarter starting December 31, 2014 and extended until June 30, 2018 under BSP Circular No. 990 issued on January 22, 2018. Effective July 1, 2018, the monitoring of the leverage ratio was implemented as a Pillar I minimum requirement.

The Basel III Leverage Ratio is designed to act as a supplementary measure to the risk-based capital requirements. The Basel III Leverage Ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as percentage. Capital measure is the Tier 1 capital. Exposure measure is the sum of on-balance sheet exposures, derivative exposures, security financing exposures and off-balance sheet items. The leverage ratio shall not be less than 5.0 percent computed on both solo (head office plus branches) and consolidated bases (including subsidiary financial allied undertakings but excluding insurance companies).

As of December 31, 2024 and 2023, the Bank maintains these ratios above minimum requirements as shown in the table below (in millions):

	December 31, 2024	December 31, 2023
A. Capital Measure	₱38,475	₱35,878
B. Exposure Measure	212,648	236,514
C. Basel III Leverage Ratio (A/B)	18.09%	15.17%

Liquidity Coverage Ratio (LCR)

On March 10, 2016 and February 8, 2018, the BSP issued Circular Nos. 905 and 996, respectively, which include guidelines on LCR, and LCR disclosure standards that are consistent with the Basel III framework. The LCR is the ratio of high-quality liquid assets (HQLAs) to total net cash outflows. To promote the short-term resilience of the liquidity risk profile of the Bank, it shall maintain an adequate stock of unencumbered HQLAs that consists of cash or assets that can be converted into cash at little or no loss of value in private markets, to meet its liquidity needs under stressed



conditions. The stock of liquid assets should enable the Bank to withstand significant liquidity shocks for at least thirty (30) calendar days, which would give time for corrective actions to be taken by the Bank's management and/or the BSP.

On March 15, 2019, the BSP issued Circular No. 1035 which approved the: (1) extension of the observation period of the minimum Basel III LCR requirement to December 31, 2019 for subsidiary banks and quasi-banks (QBs) of universal and commercial banks (U/KBs), (2) adoption of a seventy percent (70.00%) LCR floor for subsidiary banks and QBs during the observation period, (3) minimum requirement of one hundred (100.00%) starting January 1, 2020. As of December 31, 2024 and 2023, the LCR in single currency as reported to the BSP, is 181.64% and 167.91%, respectively.

Net Stable Funding Ratio (NSFR)

On June 6, 2018, the BSP issued Circular No. 1007, covering the implementing guidelines on the adoption of the Basel III Framework on Liquidity Standards - NSFR. The NSFR limits overreliance on short-term wholesale funding and promotes enhanced assessment of funding risk across all on- and off-balance sheet accounts. The NSFR complements the LCR, which promotes short term resilience of the Bank's liquidity profile. The covered bank shall maintain an NSFR of at least 100.0 percent at all times. Compliance with this requirement was phased-in effective July 1, 2018, with full implementation of the minimum NSFR on January 1, 2019.

On March 15, 2019, the BSP issued Circular No. 1034 which approved the extension of the observation period for the Basel III Framework on Liquidity Standards - NSFR for subsidiary banks/quasi-banks.

The implementation of the minimum NSFR shall be phased in to help ensure that the covered banks/QBs can meet the standard through reasonable measures without disrupting credit extension and financial market activities. In order to facilitate compliance, covered banks/QBs shall undergo an observation period before the NSFR becomes a minimum requirement. Subsidiary banks/QBs of U/KBs shall be subject to an NSFR floor of seventy percent (70.00%) during the observation period. Starting January 1, 2020, the minimum NSFR for subsidiary banks/quasi-banks of universal and commercial banks (UBs/KBs) shall be 100.00%. As of December 31, 2024 and 2023, the NSFR as reported to the BSP is at 125.98% and 139.01%, respectively.

Basel III Countercyclical Capital Buffer

On December 6, 2018, the BSP issued Circular No. 1024 covering the Philippine adoption of the Basel III Countercyclical Capital Buffer (CCyB) which imposed the following capital buffers:

- Capital Conservation buffer (CCB) of two and a half percent (2.50%); and
- Countercyclical capital buffer (CCyB) of zero percent (0.00%) subject to upward adjustment to a rate determined by the Monetary Board of the BSP when systemic conditions warrant but not to exceed two and a half percent (2.50%). Any increase in the CCyB rate shall be effective 12 months after its announcements. Decreases shall be effective immediately.

The prescribed ratios shall be maintained at all times.



22. Net Service Fees and Commission Income

This account consists of:

	2024	2023	2022
Service Fees and Commission Income			
Credit-related fees and commissions	₱1,306,628,705	₱1,140,696,592	₱1,114,725,360
Deposit-related and other fees received (Note 29)	548,708,615	605,852,203	571,145,496
Trust fees	50,098,509	46,194,120	46,971,038
	1,905,435,829	1,792,742,915	1,732,841,894
Service Fees and Commission Expense			
Commissions	83,856,797	59,629,263	45,200,420
Brokerage	6,000,297	5,954,675	6,108,650
	89,857,094	65,583,938	51,309,070
Net Service Fees and Commission Income	₱1,815,578,735	₱1,727,158,977	₱1,681,532,824

23. Miscellaneous Income

This account consists of:

	2024	2023	2022
Recovery of charged-off assets	₱295,591,196	₱311,361,694	₱339,337,767
Insurance commission income	72,774,013	85,545,555	202,199,914
Rental income (Notes 12, 25 and 29)	60,258,207	48,255,017	45,235,373
Others (Notes 9 and 29)	119,354,179	137,698,703	191,002,283
	₱547,977,595	₱582,860,969	₱777,775,337

Rental income arises from the lease of investment properties and safety deposit boxes of the Bank. Rent income on investment properties amounted to ₱59.1 million, ₱47.2 million, and ₱44.1 million in 2024, 2023 and 2022, respectively. Rent income on safety deposit boxes amounted to ₱1.1 million in 2024 and 2023 and ₱1.2 million in 2022.

Other miscellaneous income includes renewal fees, checkbook charges, break funding cost and other miscellaneous income. Accretion of modified loans amounted to ₱40.1 million, ₱70.1 million and ₱107.0 million in 2024, 2023 and 2022, respectively (Note 9).



24. Retirement Benefits

The Bank has a funded, noncontributory defined benefit plan covering substantially all of its employees. The benefits are based on years of service and final compensation.

The plan administered by the Retirement Committee is composed of five (5) members appointed by the BOD of the Bank. The Retirement Committee has all the powers necessary or useful in the discharge of its duties of administration including, but not limited to determining the rights of Members under the Plan. The Retirement Committee may adopt such rules and regulations as it deems necessary and desirable, including those governing the establishment of procedures, the use of necessary forms, and the setting up of minimum periods where notice is required. The Retirement Committee may seek advice of counsel, and may appoint an independent accountant to audit the Plan and actuary to value the plan periodically, whose professional fees and expenses may be charged to the Fund.

Under the existing regulatory framework, RA No. 7641, *Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The date of the latest actuarial valuation is December 31, 2024.

The amounts of pension expense included in 'Compensation and fringe benefits' in the statements of income follow:

	2024	2023
Current service cost	₱267,677,595	₱226,594,870
Net interest cost (income)	4,486,598	(25,701,492)
	₱272,164,193	₱200,893,378



The net retirement liability/retirement asset shown under ‘Other liabilities’/‘Other assets’ recognized in the Bank’s statements of condition follows (in thousands):

2024											
Remeasurements in other comprehensive income											
January 1, 2024	Net benefit cost			Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Subtotal	Contribution by employer	December 31, 2024
	Current service cost	Net Interest	Subtotal								
Present value of defined benefit obligation	₱3,851,397	₱267,678	₱222,572	₱490,250	(₱269,373)	₱–	₱31,359	₱–	(₱167,186)	₱–	₱3,936,447
Fair value of plan assets	(3,610,379)	–	(218,085)	(218,085)	269,373	14,946	–	–	14,946	(455,825)	(3,999,970)
Net retirement asset (Note 14)	₱241,018	₱267,678	₱4,487	₱272,165	₱–	₱ 14,946	₱31,359	₱–	(₱167,186)	(₱455,825)	(₱63,523)

2023											
Remeasurements in other comprehensive income											
January 1, 2023	Net benefit cost			Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Subtotal	Contribution by employer	December 31, 2023
	Current service cost	Net Interest	Subtotal								
Present value of defined benefit obligation	₱3,184,063	₱226,595	₱215,671	₱442,266	(₱243,768)	₱–	₱48,880	₱–	₱419,956	₱–	₱3,851,397
Fair value of plan assets	(3,387,473)	–	(241,373)	(241,373)	243,768	38,699	–	–	38,699	(264,000)	(3,610,379)
Net retirement liability (Note 19)	(₱203,410)	₱226,595	(₱25,702)	₱200,893	₱–	₱38,699	₱48,880	₱–	₱419,956	(₱264,000)	₱241,018

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

The Bank expects to contribute ₱264.9 million to its noncontributory defined benefit plan in 2025.



The fair values of plan assets by each class as at the statements of condition date are as follows:

	2024	2023
Investment in debt securities		
Government	₱2,690,915,727	₱2,451,193,421
Private	700,006,391	920,955,224
Special deposit account	446,377,610	85,080,009
Unit Investment Trust Fund (UITF)	40,245,085	44,473,708
Investment in equity securities	99,316,495	88,278,813
Other assets	26,555,952	23,509,325
	4,003,417,260	3,613,490,500
Other liabilities	3,447,387	3,111,617
	₱3,999,969,873	₱3,610,378,883

The person exercising voting right for the foregoing equity instruments is currently a senior officer of the Bank.

The principal actuarial assumptions used in determining retirement liability as of December 31, 2024 and 2023 are shown below:

	2024	2023
Discount rate	6.12%	6.06%
Turnover rate	3.63%, 10.23%	3.63%, 10.23%
Future salary increases	5.50%	6.00%

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:

	December 31, 2024		December 31, 2023	
	Possible Fluctuations	Increase (decrease)	Possible Fluctuations	Increase (decrease)
Discount rate	+1.00% -1.00%	(₱255,515,760) 286,976,419	+1.00% -1.00%	(₱273,484,652) 309,243,597
Turnover rate	+1.00% -1.00%	(28,772,009) 31,952,822	+1.00% -1.00%	(41,410,835) 46,374,122
Future salary increase rate	+1.00% -1.00%	304,782,425 (275,809,790)	+1.00% -1.00%	325,011,656 (292,242,782)

The Retirement Committee ensures that there will be sufficient assets to pay pension benefits as they fall due and maintains the plan on an actuarially sound basis considering the benefits to members.

Shown below is the maturity analysis of the undiscounted benefit payments:

	2024	2023
Less than one year	₱352,484,510	₱331,506,031
One to less than five years	1,887,979,250	1,611,315,196
Five to less than 10 years	2,500,669,586	2,435,184,665
10 to less than 15 years	2,997,019,022	3,182,649,515
15 to less than 20 years	1,925,401,359	2,463,811,385
20 years and above	1,713,674,949	1,993,633,106



The average duration of the expected benefit payments at the statement of condition date is 8.79 years.

25. Leases

The Bank leases the premises occupied by its branches for periods ranging from 1 to 30 years renewable under certain terms and conditions. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 10.00%.

As of December 31, 2024 and 2023, the carrying amounts of lease liabilities (included in 'Other Liabilities' in Note 19) are as follows:

	2024	2023
Balance at beginning of year	₱1,181,200,923	₱1,322,931,895
Additions	451,270,041	312,921,930
Accretion of interest	80,201,164	78,902,394
Payments	(522,142,339)	(533,555,296)
	₱1,190,529,789	₱1,181,200,923

The Bank recognized interest expense on lease liabilities (included in 'Interest expense' in the statements of income) amounting to ₱80.2 million, ₱78.9 million and ₱79.9 million in 2024, 2023 and 2022, respectively, rent expense from short-term leases and leases of low-value assets amounting (included in 'Occupancy and equipment-related costs' in the statements of income) to ₱127.8 million in 2024, ₱111.9 million in 2023 and ₱116.2 million in 2022.

Future minimum rentals payable under non-cancelable operating leases are as follows:

	2024	2023
Within one year	₱481,051,172	₱428,533,488
After one year but not more than five years	797,059,051	822,505,612
More than five years	77,561,045	110,940,089
	₱1,355,671,268	₱1,361,979,189

The Bank has also entered into commercial property leases on its surplus office space. These non-cancelable leases have remaining non-cancelable lease terms between 1 and 5 years. As of December 31, 2024 and 2023, there is no contingent rental income. Rental income of the Bank related to these property leases amounting to ₱59.1 million, ₱47.2 million, and ₱44.1 million in 2024, 2023 and 2022, respectively are shown under 'Miscellaneous income' in the statements of income (Notes 12 and 23).

Future minimum rentals receivable under non-cancelable operating leases are as follows:

	2024	2023
Within one year	₱56,510,721	₱17,577,256
After one year but not more than five years	114,302,499	20,901,344
	₱170,813,220	₱38,478,600



26. Miscellaneous Expenses

This account consists of:

	2024	2023	2022
Information technology (Note 29)	₱479,504,386	₱424,653,503	₱407,689,037
Insurance (Note 29)	344,301,873	388,308,751	453,534,299
Litigation	273,379,634	242,115,429	429,974,439
Repairs and maintenance (Note 12)	123,423,586	116,111,217	171,424,078
Communications	121,314,009	134,362,180	147,148,701
Transportation and traveling	63,572,316	57,354,683	52,967,086
Advertising	52,213,710	52,841,936	22,092,410
Supervision and examination fees	50,165,101	73,281,388	75,405,438
Stationery and supplies	49,749,544	41,097,311	82,824,439
Training and seminars	19,465,802	14,607,368	26,880,748
Management and professional fees	18,174,426	25,393,062	25,473,105
Banking activities expenses	12,800,975	12,585,850	9,360,794
Donations and charitable contributions	11,528,000	11,148,601	7,122,605
Fines, penalties and other charges	5,545,657	86,521,098	206,509,947
Membership fees and dues	4,373,086	2,937,377	2,699,211
Others	12,752,207	7,526,954	9,614,270
	₱1,642,264,312	₱1,690,846,708	₱2,130,720,607

Insurance expense includes premiums paid to the Philippine Deposit Insurance Corporation (PDIC) amounting to ₱344.3 million, ₱388.3 million, and ₱429.2 million in 2024, 2023 and 2022, respectively.

Other expenses include entertainment, amusement and recreation (EAR), rewards and incentives, meeting allowance, sponsorship expenses, home free loan expenses, appraisal fees and notarial fees. These also include payments to union members amounting to ₱10.0 million, ₱9.5 million and ₱9.4 million in 2024, 2023 and 2022, respectively, for the successful completion of the collective bargaining agreement.

27. Income and Other Taxes

Under Philippine tax laws, the Bank is subject to percentage and other taxes (presented as ‘Taxes and licenses’ in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp tax (DST). Income taxes include corporate income tax, further discussed below, and final taxes paid at the rate of 20.00%, which is a final withholding tax on gross interest income from government securities and other deposit substitutes.

On March 26, 2021, RA 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% effective July 1, 2020. With the implementation of this Act, the allowable deduction for interest expense was reduced from 33% to 20.00% of the interest income subject to final tax.

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 Bank’s income tax liability and taxable income, respectively, over a three-year period from the year of inception. For the taxable years 2020, 2021 and 2022, the



NOLCO incurred can be carried over as a deduction for the next five (5) consecutive taxable years, pursuant to Revenue Regulation (RR) No. 25-2020.

Starting July 1, 2008, the Optional Standard Deduction (OSD) equivalent to 40.00% of gross income may be claimed as an alternative deduction in computing for the RCIT. The Bank elected to claim itemized expense deductions instead of the OSD in computing for the RCIT in 2024 and 2023.

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 regulations, EAR expense allowed as a deductible expense for a service company is limited to the actual EAR paid or incurred but not to exceed 1.00% of net revenue.

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 OBUs is taxed at 15.00% in 2024 and 2023. Under current tax regulations, the income derived by the FCDU from foreign currency transactions with non-residents, OBUs, local commercial banks, including branches of foreign banks, is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10.00% income tax.

Provision for income tax consists of:

	2024	2023	2022
Current:			
Final tax	₱695,239,876	₱1,131,814,810	₱709,425,111
Current income tax	125,068,229	76,759,110	73,891,205
	820,308,105	1,208,573,920	783,316,316
Deferred	(91,120,738)	(850,610,415)	335,219,072
	₱729,187,367	₱357,963,505	₱1,118,535,388

Net deferred tax assets consist of the following tax effects:

	2024	2023
Deferred tax assets on:		
Allowance for credit and impairment losses	₱1,053,726,274	₱952,022,697
Retirement benefit obligation	346,171,389	376,391,576
Unamortized pension cost contribution	140,308,708	149,120,044
Accumulated depreciation of assets foreclosed or dacioned	107,421,228	103,472,613
Net effect of lease liabilities and ROU assets	45,863,734	48,590,683
Loan modification	18,670,332	21,513,010
Net unrealized gain on fair value of FVOCI	6,073,967	3,867,981
	1,718,235,632	1,654,978,604
Deferred tax liabilities on:		
Unrealized foreign exchange gains	(1,237,234)	334,414
Net unrealized gain on investment properties	(398,490,237)	(397,705,408)
	(399,727,471)	(397,370,994)
	₱1,318,508,161	₱1,257,607,610



As of December 31, 2024 and 2023, the Bank did not recognize deferred tax assets on allowance for credit and impairment losses amounting to ₱0.74 million and ₱2,709 million, respectively. Income tax effect credited (debited) in OCI amounted to (₱30.2 million), ₱126.9 million, and ₱38.5 million in 2024, 2023, and 2022, respectively.

The Bank believes that it is not reasonably probable that the tax benefits of these temporary differences will be realized in the future.

Details of the excess MCIT over RCIT credits of the Bank follow:

	Amount	Used/Expired	Balance	Expiry Year
2021	₱34,998,663	₱34,998,663	₱—	2024
2022	35,228,014	35,228,014	—	2025
2024	23,706,870	—	23,706,870	2027
	₱93,933,547	₱70,226,677	₱23,706,870	—

The reconciliation between the statutory income tax and effective income tax follows (in thousands):

	2024	2023	2022
Statutory income tax	₱1,484,407	₱1,222,256	₱1,199,241
Tax effects of:			
Change in deferred tax assets and others	(748,115)	(851,611)	6,407
Non-taxable, tax-paid and tax-exempt income	(199,081)	(307,780)	(245,782)
Nondeductible expenses	177,000	306,566	233,564
FCDU income	14,976	(11,467)	(74,895)
Effective income tax	₱729,187	₱357,964	₱1,118,535

28. Earnings Per Share

The following table presents information used to calculate basic EPS:

	2024	2023	2022
a. Net income	₱5,208,442,415	₱4,531,061,864	₱3,678,428,259
b. Weighted average number of common shares for basic earnings per share	426,859,416	426,859,416	426,859,416
c. Basic/Diluted EPS (a/b)	12.20	10.61	8.62

As of December 31, 2024, 2023 and 2022, there were no potential common shares with dilutive effect on the basic EPS of the Bank.



29. 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 Bank's related parties are as follows:

- Bank's Directors, Officers, Stockholders and their Related Interests (DOSRI) as defined per BSP's existing DOSRI rules and regulations;
- Close Family Members (i.e., second degree relatives) of the Bank's Directors, Officers with rank of SVP and up, and Individual Substantial Stockholders;
- Bank's Subsidiaries and Affiliates as defined per BSP's existing rules and regulations on lending to subsidiaries and affiliates;
- Any party that the Bank exerts direct or indirect control over or that exerts direct or indirect control over the Bank;
- Subsidiaries, Affiliates and Special Purpose Entities (SPEs) of any party that the Bank exerts direct or indirect control over or that exerts direct or indirect control over the Bank;
- Corresponding Persons in Affiliated Companies as defined in the Bank's Related Party Transaction (RPT) Policy; and
- Any natural person or juridical entity whose interest may pose potential conflict with the Bank's interest.

The Bank has several business relationships with related parties. The terms of the transactions with such parties are listed below on substantially the same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties, and are usually settled in cash. These transactions also did not involve more than the nominal risk of collectability or present other unfavorable conditions.

Transactions with the Retirement Plan

On December 20, 2012, the SEC issued Memorandum Circular No. 12 providing for guidelines on the disclosure of transactions with retirement benefit funds. Under said circular, a reporting entity shall disclose information about any transaction with a related party (retirement fund, in this case) and outstanding balances necessary for an understanding of the potential effect of the relationship on the financial statements.

Under PFRS Accounting Standards, certain post-employment benefit plans are considered as related parties. The Bank has business relationships with its retirement plan pursuant to which it provides trust and management services to the said plan. The retirement plan of the employees of the Bank is being managed and maintained by the Trust Division of the Bank. The total fair value of the retirement fund as of December 31, 2024 and 2023 amounted to ₱4.0 billion and ₱3.6 billion, respectively. The details of the assets of the fund as of December 31, 2024 and 2023 are disclosed in Note 24.

The following table shows the amount of outstanding balances of related party transactions of the Bank with the retirement plan of the employees of the Bank as of December 31, 2024 and 2023:

Related Party	Nature of Transaction	2024	
		Statement of Condition	Statement of Income
Philippine Savings Bank	Savings Deposit	₱17,827,917	₱-
	Investment in Money Market Fund*	40,245,085	-
	Income from UITF**	-	1,775,901
	Interest income	-	17,250
First Metro ETF	Equity investment***	23,417,750	-

*Includes fair value gains of ₱2.4 million

**Includes fair value gains of ₱0.5 million

***Includes fair value loss of ₱0.9 million



Related Party	Nature of Transaction	2023	
		Statement of Condition	Statement of Income
Philippine Savings Bank	Savings Deposit	₱5,081,077	₱—
	Investment in Money Market Fund*	44,473,708	—
	Income from UITF**	—	1,913,824
	Interest income	—	15,523
First Metro ETF	Equity investment***	25,255,881	—
*Includes fair value gains of ₱2.0 million			
**Includes fair value loss of ₱1.5 million			
***Includes fair value loss of ₱1.7 million			

Transactions relating to the Bank's retirement plan are approved by its Retirement Committee. The voting right over the investments in the Bank's capital stocks is exercised by a member of the Retirement Committee as approved by all members of the Retirement Committee, whom are senior officers of the Bank.

Remunerations of Directors and Other Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly. The Bank considers the members of the Management Committee to constitute key management personnel for purposes of PAS 24, *Related Party Disclosures*.

Total remunerations of key management personnel (covering assistant vice presidents and up) included under 'Compensation and fringe benefits' in the statements of income are as follows:

	2024	2023
Short-term employee benefits	₱392,774,784	₱399,163,834
Post-employment pension benefits	7,185,126	2,694,653
	₱399,959,910	₱401,858,487

Short-term employee benefits include salaries and other non-monetary benefits.

Remunerations given to directors, as approved by the Board Remuneration Committee, amounted to ₱17.3 million, ₱19.1 million, and ₱21.5 million in 2024, 2023, and 2022, respectively.

The Bank also provides banking services to directors and other key management personnel and persons connected to them.

Other Related Party Transactions

Other related party transactions of the Bank by category of related party are presented below. The following tables show the amount and outstanding balances included in the financial statements (in thousands):

Category	December 31, 2024		
	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Parent Company			
Due from other banks	₱165,388	₱1,294,442	Short term peso and foreign-currency denominated deposits with fixed rates ranging from 0.05% to 5.00%
Financial assets at amortized cost	—	60,000	Pledged for security of payroll account with MBTC
Interbank call loans receivable	—	—	Peso denominated lending with fixed interest rate ranging from 5.94% to 6.59% maturities ranging from 1 to 5 days, secured
Placements	—	—	Php 0.00
Maturities	—	—	
Accounts receivable	(444)	2,980	Outstanding ATM service fees, rental and utility receivables, non-interest bearing; no impairment
Miscellaneous assets	856	1,713	Security deposits on lease contracts
Miscellaneous liabilities	8,695	12,253	Advance payments of security deposits from various tenants

(Forward)



December 31, 2024			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Deposit liabilities	₱—	₱53,698	Short term peso and foreign-currency denominated deposits
Accrued other expense payable	16,182	41,485	Outstanding information technology expense payable
Interest income	94,208	—	Income on deposits and interbank call loans receivables
Rental income	23,183	—	Income from leasing agreements with various lease terms ranging from 1 to 5 years
Rent expense	2,338	—	Payment of rent
Information technology expense	165,206	—	Payment of information technology transactions
Interest expense	6,938	—	Interest from bills payable
Securities transactions			
Outright purchases	24,187,700	—	Outright purchase of FVOCI investments
Joint Venture			
Investment in a joint venture	48,188	892,037	Outstanding balance of capital investment in SMFC
Dividends from joint venture	32,701	—	Dividends from SMFC
Accounts receivable	779	1,064	Outstanding rental and utility receivables, non-interest bearing
Deposit liabilities	(158,225)	230,826	Demand and short-term peso time deposits with annual fixed rates of 0.25% to 5.75%
Accrued interest payable	818	818	Interest payable on deposit liabilities
Miscellaneous liabilities	2,679	10,540	Advance payment of security deposits
Rental income	18,855	—	Income from leasing agreements
Interest expense	22,830	—	Interest on deposit liabilities
Other Related Parties (DOSRI/Indirect)			
Receivable from customers		1,120,495	Peso denominated lending which earn 5.04% to 6.00% with maturity terms from 1 to 15 years (excluding key personnel); mostly unsecured, with ECL
Placements	—	—	
Maturities	(20,587)	—	
Miscellaneous assets	(1,430)	2,708	Security deposits
Accounts receivable	1,711	2,756	Outstanding ATM service fees, rental and utility receivables, non interest bearing
Prepaid insurance	667	4,893	Payment of various motor car vehicles, fire, money, security, payroll and robbery insurance
Deposit liabilities	(1,773,070)	1,994,042	Demand, savings and short-term peso and foreign currency time deposits with fixed rates ranging from 0.00% to 5.88%
Accrued other expense payable	—	446	Outstanding group life insurance
Accrued interest payable	5,462	5,462	Interest payable on deposit liabilities
Accounts payable	661	206	Various personal and car insurance payable
Miscellaneous liabilities	2,101	6,878	Advance payment of security deposits
Rental income	11,745	—	Income from leasing agreements with various lease terms
Miscellaneous income	21,851	—	Miscellaneous income from insurance
Insurance expense	53,370	—	Payment of insurance premium
Interest expense	313,314	—	Interest on deposit liabilities
Rent expense	222	—	Payment of rent expense to various lessors
Securities transactions			
Outright purchases	3,160,000	—	Outright purchase of Financial Assets at amortized cost
Key Personnel			
Receivables from customers		14,151	Unsecured, no impairment, with annual fixed interest rates of 3.00% to 6.00%
Availments	3,067	—	and maturities ranging from 1 to 15 years
Maturities	2,830	—	
Interest income	1,193	—	Interest income from loans

December 31, 2023			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Parent Company			
Due from other banks	(₱462,999)	₱1,129,054	Short term peso and foreign-currency denominated deposits with fixed rates ranging from 0.00% to 5.00%
Financial assets at amortized cost	—	60,000	Pledged for security of payroll account with MBTC
Interbank call loans receivable		—	Peso denominated lending with fixed interest rate ranging from 6.19% to 6.41% maturities ranging from 1 to 5 days, secured - Php 0.00
Placements	27,000,000		
Maturities	(27,000,000)		
Accounts receivable	2,118	3,424	Outstanding ATM service fees, rental and utility receivables, non-interest bearing; no impairment
Miscellaneous assets	857	857	Security deposits on lease contracts
Miscellaneous liabilities	1,189	3,558	Advance payments of security deposits from various tenants
Deposit liabilities	—	36,782	Short term peso and foreign-currency denominated deposits
Accrued other expense payable	(128,137)	25,303	Outstanding information technology expense payable
Interest income	9,717	—	Income on deposits and interbank call loans receivables
Rental income	9,039	—	Income from leasing agreements with various lease terms ranging from 1 to 5 years
Rent expense	122	—	Payment of rent
Information technology expense	112,411	—	Payment of information technology transactions
Securities transactions			

(Forward)



December 31, 2023			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Joint Venture			
Investment in a joint venture	₱27,564	₱843,849	Outstanding balance of capital investment in SMFC
Dividends from joint venture	57,600	–	Dividends from SMFC
Accounts receivable	(716)	285	Outstanding rental and utility receivables, non-interest bearing
Deposit liabilities	313,170	389,051	Short term peso time-deposits deposits with annual fixed rates ranging from 5.50% to 5.75%
Miscellaneous liabilities	–	7,861	Advance payment of security deposits
Rental income	12,204	–	Income from leasing agreements
Interest expense	20	–	Interest on deposit liabilities
Other Related Parties (DOSRI/Indirect)			
Receivable from customers		1,141,082	Peso denominated lending with interest rates ranging from 3.00% to 4.83% with maturity terms of 14 days to 5 years (excluding key personnel); mostly unsecured, with ECL
Placements	950,000	–	
Maturities	(951,433)	–	
Miscellaneous assets	4,138	4,138	Security deposits
Accounts receivable	372	1,045	Outstanding ATM service fees, rental and utility receivables, non-interest bearing
Prepaid insurance	(2,220)	4,226	Payment of various motor car vehicles, fire, money, security, payroll and robbery insurance
Deposit liabilities	225,907	3,767,112	Demand, savings and short-term peso and foreign currency time deposits with fixed rates ranging from 0.00% to 2.00%
Accrued other expense payable	(705)	446	Outstanding group life insurance
Accounts payable	(8,304)	(455)	Various personal and car insurance payable
Miscellaneous liabilities	2,905	4,777	Advance payment of security deposits
Rental income	42,771	–	Income from leasing agreements with various lease terms
Insurance expense	29,846	–	Payment of insurance premium
Interest expense	244	–	Interest on deposit liabilities
Rent expense	165	–	Payment of rent expense to various lessors
Securities transactions			
Outright purchases	236,792	–	Outright purchase of Financial Assets at amortized cost
Key Personnel			
Receivables from customers		13,914	Unsecured, no impairment, with annual fixed interest rates of 6.00%
Availments	2,975	–	
Maturities	(557)	–	and maturities ranging from 2 to 10 years
Interest income	1,038	–	Interest income from loans

December 31, 2022			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Parent Company			
Due from other banks	₱485,169	₱1,592,053	Short term peso and foreign-currency denominated deposits with fixed rates ranging from 0.00% to 5.00%
Financial assets at amortized cost	60,000	60,000	Pledge for security of payroll account with MBTC in 2022
Financial assets at FVOCI	(59,718)	–	Pledge for security of payroll account with MBTC in 2021
Accounts receivable (payable)	(4,483)	1,306	Outstanding ATM service fees, rental and utility receivables, non-interest bearing; no impairment
Miscellaneous assets	(1,948)	–	Security deposits on lease contracts
Miscellaneous liabilities	(3,550)	2,369	Advance payments of security deposits from various tenants
Accrued other expense payable	63,037	153,440	Outstanding information technology expense payable, charges on current and savings accounts processing
Rental income	13,056	–	Income from leasing agreements with various lease terms ranging from 2 to 5 years
Information technology expense	121,493	–	Payment of information technology transactions
Trading and security loss	4	–	Loss from securities transactions
Securities transactions			
Outright purchases	5,576,850	–	Outright purchase of FVTPL, AC and FVOCI investments
Outright sales	(104,000)	–	Outright sale of FVTPL and FVOCI investments
Joint Venture			
Investment in a joint venture	53,359	816,285	Outstanding balance of capital investment in SMFC
Dividends from joint venture	30,059	–	Dividends from SMFC
Accounts receivable	96	1,001	Outstanding rental and utility receivables, non-interest bearing
Deposit liabilities	61,881	75,881	Demand and short-term peso time-deposits deposits with annual fixed rates of 1.25%
Miscellaneous liabilities	–	7,861	Advance payment of security deposits
Rental income	17,876	–	Income from leasing agreements
Interest expense	28	–	Interest on deposit liabilities

(Forward)



Category	December 31, 2022		
	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Other Related Parties (DOSRI/Indirect)			
Receivable from customers	₱–	₱1,142,515	Peso denominated lending which earns 3.00% to 7.50% fixed daily interest rate with maturity terms ranging from 14 days to 10 years
Placements	955,000	–	(excluding key personnel); mostly unsecured, with ECL
Maturities	967,797	–	3 months advance security deposits
Miscellaneous assets	(2,949)	–	Outstanding ATM service fees, rental and utility receivables, non-interest bearing
Accounts receivable	(1,112)	673	Payment of various motor car vehicles, fire, money, security, payroll and robbery insurance
Prepaid expense	(5,782)	6,446	Demand, savings and short-term peso and foreign currency time deposits with fixed rates ranging from 0.00% to 2.00%
Deposit liabilities	(4,418,680)	3,541,205	Outstanding group life insurance
Accrued other expense payable	–	1,151	Various personal and car insurance payable
Accounts payable	7,480	7,849	Advance payment of security deposits from various tenants
Miscellaneous liabilities	–	1,872	Income on receivables from customers and interbank call loans receivables
Interest income	47,171	–	Gain from securities transactions
Trading and securities loss	43	–	Income from leasing agreements with various lease terms
Rental income	8,100	–	Commission income on ATM service fees
Bank commission	437	–	Service income received from insourcing agreements
Miscellaneous income	937	–	Payment of insurance premium
Insurance expense	52,758	–	Interest on deposit liabilities
Interest expense	541	–	Payment of rent expense to various lessors
Rent expense	(65)	–	Outright purchase of FVTPL and FVOCI investments
Securities transactions	–	–	Outright sale of FVTPL and FVOCI investments
Outright purchases	2,000,000	–	
Outright sales	(150,000)	–	
Key Personnel			
Receivables from customers	–	11,496	Unsecured, no impairment, with annual fixed interest rates
Availments	2,864	–	6.00% and maturities ranging from 2 to 10 years
Maturities	(2,436)	–	
Interest income	1,032	–	Interest income from loans

30. Trust Operations

Securities and other resources held by the Bank in fiduciary or agency capacity for its customers are not included in the accompanying statements of condition since these are not assets of the Bank.

As of December 31, 2024 and 2023, the Bank deposited government securities with carrying value of ₱119.5 million and ₱123.9 million, respectively, in compliance with trust regulations (Note 8).

In compliance with existing banking regulations, the Bank transferred from surplus to surplus reserve the amount of ₱2.8 million and ₱2.4 million, which corresponds to 10.00% of the net income realized from the Bank's Trust Department in 2024 and 2023, respectively.

31. Commitments and Contingent Liabilities

In the normal course of the Bank's operations, there are various outstanding commitments and contingent liabilities such as guarantees and commitments to extend credit, which are not reflected in the accompanying financial statements. The Bank, however, does not anticipate significant losses as a result of these transactions.



Commitments and Contingencies

The following is a summary of the Bank's commitments and contingent liabilities at their equivalent peso contractual amounts:

	2024	2023
Trust department accounts (Note 30)	₱10,249,018,666	₱9,295,113,015
Stand-by credit lines	79,885,313	41,100,000
Spot foreign exchange and contracts sale	28,922,500	27,685,000
Late deposits/payments received	—	290,311
Items held for safekeeping	258,875	215,511
Others	49,957	57,244

Also, several suits and claims, on behalf of or against the Bank in relation to its banking operations and labor-related cases are pending before the courts and quasi-judicial bodies. The Bank and its legal counsel believe that any losses arising from suits and claims which are not specifically provided for will not have a material adverse effect on the financial statements.

32. Notes to Statements of Cash Flows

The following is a summary of principal non-cash activities that relate to the analysis of the statements of cash flows:

	2024	2023	2022
Additions to chattel mortgage in settlement of loans (Note 14)	₱3,922,282,431	₱2,320,586,633	₱1,978,930,122
Additions to investment properties in settlement of loans (Note 12)	472,856,965	660,520,059	1,438,182,517
Recognition of right-of-use assets (Note 11) and lease liabilities (Note 25)	451,270,041	312,921,930	523,368,707
Fair value changes in financial assets at FVOCI (Note 8)	(29,502,025)	119,107,530	(38,369,287)
Cumulative translation adjustment	12,638	399	(756,081)

The table below provides for the changes in liabilities arising from financing activities in 2024 and 2023 (in millions):

	Bills Payable	Bonds Payable	Lease Liabilities	Total Liabilities from Financing Activities
January 1, 2024	₱272	₱—	₱1,181	₱1,453
Cash flows from availments	2,175	—	—	2,175
Cash flows from settlement	(2,447)	—	(522)	(2,969)
Others	—	—	532	532
December 31, 2024	₱—	₱—	₱1,191	₱1,191



	Bills Payable	Bonds Payable	Lease Liabilities	Total Liabilities from Financing Activities
January 1, 2023	₱1,186	₱4,648	₱1,323	₱7,157
Cash flows from availments	5,068	—	—	5,068
Cash flows from settlement	(5,982)	(4,650)	(534)	(11,166)
Others	—	2	392	394
December 31, 2023	₱272	₱—	₱1,181	₱1,453

Others include amortization of bills payable and bonds payable, additions to lease liabilities, and accretion and termination of lease liabilities.

As of December 31, 2024 and 2023, the Bank recognized allowance for credit losses from 'Due from other banks' amounting to ₱1.5 million and ₱1.2 million, respectively.

33. Offsetting of Financial Assets and Liabilities

PFRS 7 requires the Bank to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar arrangements. The effects of these arrangements are disclosed in the succeeding table.

Financial assets

As of December 31, 2024 and 2023, there were no derivative assets.

December 31, 2024						
Financial assets recognized at the end of reporting period by type	Gross carrying amounts (before offsetting) [a]	Gross amounts offset in accordance with the offsetting criteria [b]	Net amount presented in statement of condition [a-b] [c]	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] [e]
				Financial instruments [d]	Fair value of financial collateral	
SPURA (Note 7)	₱—	₱—	₱—	₱—	₱—	₱—

December 31, 2023						
Financial assets recognized at the end of reporting period by type	Gross carrying amounts (before offsetting) [a]	Gross amounts offset in accordance with the offsetting criteria [b]	Net amount presented in statement of condition [a-b] [c]	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] [e]
				Financial instruments [d]	Fair value of financial collateral	
SPURA (Note 7)	₱6,989,635,680	₱—	₱6,989,635,680	₱—	₱6,989,635,680	₱—

Financial liabilities

As of December 31, 2024 and 2023, there were no outstanding foreign currency swaps and forwards.

December 31, 2024						
Financial assets recognized at the end of reporting period by type	Gross carrying amounts (before offsetting) [a]	Gross amounts offset in accordance with the offsetting criteria [b]	Net amount presented in statement of condition [a-b] [c]	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] [e]
				Financial instruments [d]	Fair value of financial collateral	
SSURA (Note 17)	₱—	₱—	₱—	₱—	₱—	₱—



December 31, 2023						
Financial assets recognized at the end of reporting period by type	Gross carrying amounts (before offsetting) [a]	Gross amounts offset in accordance with the offsetting criteria [b]	Net amount presented in statement of condition [a-b] [c]	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] [e]
				Financial instruments [d]	Fair value of financial collateral	
SSURA (Note 17)	₱271,896,461	₱—	₱271,896,461	₱—	₱271,896,461	₱—

34. Subsequent Events

Cash Dividend Declaration

On January 16, 2025, the BOD of the Bank approved the declaration of a 7.50% regular cash dividend for the fourth quarter of 2024 for stockholders on record as of February 3, 2025 amounting to ₱320.1 million or ₱0.75 per share, to be paid on February 17, 2025.

35. Approval for the Release of the Financial Statements

The accompanying comparative financial statements by the Bank were authorized for issue by the BOD on February 20, 2025.

36. Supplementary Information Required Under Section 174 of the Manual of Regulations for Banks (MORB)

Financial Performance

The following basic ratios measure the financial performance of the Bank:

	2024	2023	2022
Return on average equity	12.36%	11.72%	10.21%
Return on average assets	2.29%	1.80%	1.40%
Net interest margin on average earning assets	6.00%	5.18%	4.66%
Current ratio	20.09%	48.89%	62.41%
Debt-to-equity ratio	3.91:1	4.94:1	6.11:1
Asset-to-equity ratio	4.91:1	5.94:1	7.11:1
Interest rate coverage ratio	2.30:1	1.84:1	2.52:1

Capital Instruments Issued

The Bank considers common stock as capital instruments eligible as Tier 1 and Tier 2 capital as of December 31, 2024 and 2023.



Significant Credit Exposures as to Industry/Economic Sector

Loan concentration as to economic activity follows (gross of unearned discounts, modification loss and allowance for credit losses):

	2024	%	2023	%
Activities of households as employers and undifferentiated goods-and-services producing activities of households for own use	₱92,786,857,517	64.45%	₱77,667,226,340	62.03%
Real estate activities	38,835,820,396	26.98%	36,589,283,371	29.22%
Wholesale and retail trade, repair of motor vehicles and motorcycles	3,110,538,171	2.16%	2,345,575,404	1.88%
Financial and insurance	1,239,899,254	0.86%	1,435,041,015	1.16%
Transportation and storage	982,491,678	0.68%	1,014,270,488	0.81%
Electricity, gas, steam and air-conditioning supply	920,106,743	0.64%	894,812,501	0.71%
Construction	735,228,153	0.51%	607,830,158	0.49%
Manufacturing	697,689,888	0.48%	564,461,629	0.45%
Accommodation and food service activities	291,754,290	0.20%	194,468,882	0.16%
Administrative and support service activities	288,086,340	0.20%	313,279,519	0.25%
Agriculture, forestry and fishing	186,258,606	0.13%	75,789,773	0.06%
Education	182,850,945	0.13%	130,242,629	0.10%
Professional, scientific and technical activities	140,749,477	0.10%	150,632,271	0.12%
Information and communication	88,713,932	0.06%	95,851,435	0.08%
Human health and social work activities	84,219,024	0.06%	90,240,508	0.07%
Arts, entertainment and recreation	79,791,327	0.06%	78,518,459	0.06%
Water supply, sewerage, waste management and remediation activities	62,903,638	0.04%	65,529,418	0.05%
Mining and quarrying	4,981,931	0.00%	5,659,929	0.00%
Others	3,249,948,131	2.26%	2,883,292,726	2.30%
	₱143,968,889,441	100.00%	₱125,202,006,455	100.00%

Others relate to other service activities including the activities of membership organizations, repair of computers, personal and household goods and a variety of personal service activities not covered elsewhere in the classification above.

Breakdowns of Total Loans as to Security

The breakdown of loans and receivables from customers (gross of unearned discounts, modification loss and allowance for credit losses) as to secured and unsecured and as to type of security follows:

	2024	%	2023	%
Secured by:				
Chattel	₱68,038,515,264	47.26%	₱59,765,850,197	47.74%
Real estate	33,098,088,594	22.99%	30,985,023,151	24.75%
Deposit hold-out	500,495,894	0.35%	597,581,973	0.48%
	101,637,099,752	70.60%	91,348,455,321	72.96%
Unsecured	42,331,789,689	29.40%	33,853,551,134	27.04%
	₱143,968,889,441	100.00%	₱125,202,006,455	100.00%

Breakdown of Total Loans as to Status

Details of non-performing loans (NPL) follow:

	2024	2023
Secured	₱2,595,185,248	₱3,240,010,197
Unsecured	1,140,410,717	1,157,125,833
	₱3,735,595,965	₱4,397,136,030



Generally, NPLs refer to loans, investments, receivables, or any financial asset, even without any missed contractual payments, that satisfy any of the following conditions:

1. Impaired under existing accounting standards;
2. Classified as doubtful or loss;
3. In litigation, and/or;
4. 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:

1. Unpaid for more than ninety (90) days from contractual due date, or accrued interests for more than ninety (90) days have been capitalized, refinanced, or delayed by agreement.
2. Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after it has become past due.
3. Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained.

The NPLs of the Bank not fully covered by allowance for credit losses follow:

	2024	2023
Total NPLs	₱3,735,595,965	₱4,397,136,030
Less NPLs fully covered by allowance for credit losses	435,552,212	1,040,506,478
	₱3,300,043,753	₱3,356,629,552

Restructured loans as of December 31, 2024 and 2023 amounted to ₱63.1 million and ₱155.2 million, respectively. The Bank's loan portfolio includes non-risk loans as defined under BSP regulations totaling ₱0.5 billion and ₱0.6 billion as of December 31, 2024 and 2023, respectively.

Information on Related Party Loans

As required under existing BSP rules and regulations, the Bank discloses loans and other credit accommodations granted to its DOSRI. These loans and other credit accommodations were made substantially on the same terms as with other individuals and businesses of comparable risks and were subject of prior BOD approval and entailing BSP reportorial requirements.

Existing banking regulations also limit the total amount of credit exposure to each of the Bank's DOSRIs, at least 70.00% of which must be secured, to the total of their respective deposits and book value of their respective unencumbered deposits and, if any, book value of their respective paid-in capital contribution in the Bank. In the aggregate, the Bank's total credit exposure to all its DOSRIs should not exceed its net worth or 15.00% of its total loan portfolio, whichever is lower, with any unsecured portion thereof not exceeding the lower between 30.00% of the aggregate limit or of the total actual exposure. However, loans and other credit accommodations to DOSRIs that are secured by assets considered by the BSP as non-risk are exempt from these ceilings. As of December 31, 2024 and 2023, the Bank's credit exposures to DOSRI are within the said regulatory limits.



BSP Circular No. 423 dated March 15, 2004, as amended by BSP Circular No. 914 dated June 23, 2016, provide the rules and regulations governing credit exposures to DOSRI. The following table shows information relating to the loans, other credit accommodations and guarantees classified as DOSRI accounts under regulations existing prior to BSP Circular No. 423 and new DOSRI loans and other credit accommodations granted under said circular as of December 31, 2024 and 2023 (in thousands):

	2024		2023	
	DOSRI Loans	Related Party Loans	DOSRI Loans	Related Party Loans
Total outstanding loans	₱186,375	₱1,121,375	₱191,082	₱1,146,082
Percent of DOSRI/Related Party loans to total loan portfolio	0.13%	0.78%	0.17%	1.03%
Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related Party loans	98.57%	99.76%	98.35%	99.73%
Percent of past-due DOSRI /Related Party loans to total DOSRI/Related Party loans	0.00%	0.00%	0.00%	0.00%
Percent of non-performing DOSRI/Related Party loans to total DOSRI/Related Party loans	0.00%	0.00%	0.00%	0.00%

Total interest income from DOSRI loans amounted to ₱11.2 million in 2024, ₱3.9 million in 2023 and ₱4.6 million 2022.

Aggregate Amount of Secured Liabilities and Assets Pledged as Security

As of December 31, 2024 and 2023, investment securities at amortized cost include Bureau of Treasury bonds pledged by the Bank to MBTC to secure its payroll account with the Bank, with total carrying value of ₱63.2 million and ₱60.0 million, respectively.

Commitments and Contingencies

The following is a summary of the Bank's commitments and contingent liabilities at their equivalent peso contractual amounts:

	2024	2023
Trust department accounts (Note 30)	₱10,249,018,666	₱9,295,113,015
Stand-by credit lines	79,885,313	41,100,000
Spot foreign exchange and contracts sale	28,922,500	27,685,000
Late deposits/payments received	—	290,311
Items held for safekeeping	258,875	215,511
Others	49,957	57,244

37. Report on the Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010

On November 25, 2010, the BIR issued RR No. 15-2010 to amend certain provisions of RR No. 21-2002. The regulations provide that starting 2010, the notes to financial statements shall include information on taxes, duties and license fees paid or accrued during the taxable year.



The Bank reported and/or paid the following types of taxes for the year:

Taxes and Licenses

For the taxable year ended December 31, 2024, taxes and licenses of the Bank consist of:

Gross receipts tax	₱909,564,947
Documentary stamps tax	519,580,940
Local taxes	84,232,538
Fringe benefit tax	7,598,998
	<u>₱1,520,977,423</u>

Withholding Taxes

As of December 31, 2024, total remittances and balance of withholding taxes are as follows:

	Total	
	Remittances	Balance
Withholding taxes on compensation and benefits	₱457,223,405	₱22,939,051
Final withholding taxes	728,150,874	57,077,143
Expanded withholding taxes	102,742,079	9,375,107
	<u>₱1,288,116,358</u>	<u>₱89,391,301</u>

Tax Assessment

The Bank has no ongoing tax assessment as of December 31, 2024.



INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Philippine Savings Bank
PSBank Center
777 Paseo de Roxas corner Sedeño Street
Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Philippine Savings Bank ("the Bank"), which comprise the statements of condition as at December 31, 2023 and 2022 and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2023, and notes to the financial statements, including material accounting policy information.

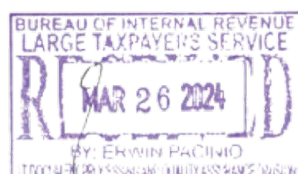
In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2023 and 2022, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2023, in accordance with Philippine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

Basis for Opinion

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

Key Audit Matters

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

Adequacy of allowance for credit losses on loans and receivables

The Bank's application of the expected credit loss (ECL) model in calculating the allowance for credit losses on loans and receivables is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Bank'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 and expected recoveries from defaulted accounts, and impact of any financial support and credit enhancements extended by any party; and incorporating forward-looking information (called overlays) in calculating ECL.

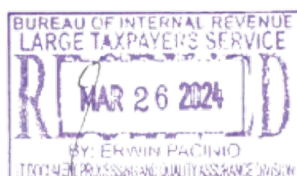
Allowance for credit losses on loans and receivables as of December 31, 2023 amounted to ₱6.2 billion. Provision for credit losses of the Bank in 2023 amounted to ₱1.5 billion.

The disclosures related to the allowance for credit losses on loans and receivables are included in Note 15 to the financial statements.

Audit response

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

We (a) assessed the Bank'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 and credit risk management policies and practices in place; (c) tested the Bank'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 Bank's records and considering management's assumptions regarding future collections, advances, extensions, renewals and modifications; (e) tested loss given default by inspecting historical recoveries including the timing, related direct 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 statistical test and corroboration using publicly available information and our understanding of the Bank'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 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 specialists in the performance of the above procedures. We reviewed the completeness of the disclosures made in the financial statements.

Recognition of deferred tax assets

The recognition of deferred tax assets is significant to our audit because the assessment process is complex and judgmental and is based on assumptions such as availability of future taxable income and the timing of the reversal of the temporary differences that are affected by expected future market or economic conditions and the expected performance of the Bank.

As of December 31, 2023, the net deferred tax assets amounted to ₱1.3 billion. The disclosures in relation to deferred income taxes are included in Note 27 to the financial statements.

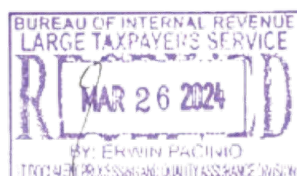
Audit response

We involved our internal specialist in interpreting the tax regulations, testing the temporary differences identified by the Bank and the applicable tax rates. We also re-performed the calculation of the deferred tax assets. We evaluated the management's assessment on the availability of future taxable income in reference to financial forecast and tax strategies. We evaluated management's forecast by comparing the loan portfolio and deposit growth rates to the historical performance of the Bank and the industry. We also assessed the timing of the reversal of future taxable and deductible temporary differences.

Other Information

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

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



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

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

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

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

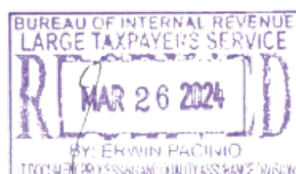
Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

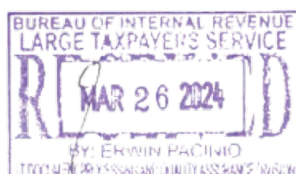
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Section 174 of the Manual of Regulations for Banks (MORB) in Note 36 and Revenue Regulations No. 15-2010 in Note 37 to the financial statements is presented for purposes of filing with the BSP and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of Philippine Savings 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 Veronica Mae A. Arce.

SYCIP GORRES VELAYO & CO.



Veronica Mae A. Arce

Partner

CPA Certificate No. 0117208

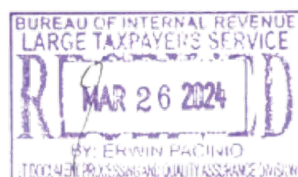
Tax Identification No. 234-282-413

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

BIR Accreditation No. 08-001998-135-2021, November 10, 2021, valid until November 9, 2024

PTR No. 10079902, January 5, 2024, Makati City

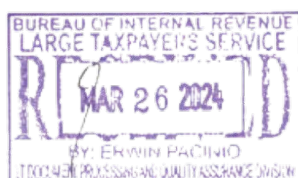
February 22, 2024



PHILIPPINE SAVINGS BANK
STATEMENTS OF CONDITION

	December 31	
	2023	2022
ASSETS		
Cash and Other Cash Items	₱1,653,554,961	₱1,930,720,274
Due from Bangko Sentral ng Pilipinas (Notes 7 and 16)	9,745,633,911	37,553,243,574
Due from Other Banks (Note 29)	1,764,229,676	2,910,493,038
Interbank Loans Receivable and Securities Purchased		
Under Resale Agreements (Note 7)	6,989,635,680	2,669,609,031
Fair Value Through Profit or Loss (FVTPL) Investments (Note 8)	414,298,313	35,875
Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) (Note 8)	54,359,693,631	69,660,715,882
Investment Securities at Amortized Cost (Note 8)	29,893,168,043	30,422,284,704
Loans and Receivables (Note 9)	122,764,412,226	109,697,304,552
Investment in a Joint Venture (Notes 10 and 29)	870,178,530	816,284,853
Property and Equipment (Note 11)	3,141,957,377	3,126,723,127
Investment Properties (Note 12)	3,934,950,184	4,031,471,065
Deferred Tax Assets (Note 27)	1,257,607,610	280,113,544
Intangible Assets and Goodwill (Note 13)	298,197,196	333,890,899
Other Assets (Note 14)	1,345,778,616	988,118,816
	₱238,433,295,954	₱264,421,009,234
LIABILITIES AND EQUITY		
Liabilities		
Deposit Liabilities (Note 16)		
Demand	₱25,325,912,039	₱26,602,133,863
Savings	46,463,448,245	46,933,474,339
Time	112,749,125,906	135,158,982,248
Long-term Negotiable Certificates of Deposits	5,084,217,598	5,077,602,528
	189,622,703,788	213,772,192,978
Bills Payable	271,896,461	1,185,944,975
Bonds Payable (Note 17)	–	4,648,449,939
Treasurer's, Cashier's and Manager's Checks	1,514,065,655	1,014,225,796
Accrued Taxes, Interest and Other Expenses (Note 18)	2,663,537,503	2,506,216,736
Other Liabilities (Note 19)	4,206,934,631	4,154,367,586
	198,279,138,038	227,281,398,010
Equity		
Common Stock (Note 21)	4,268,594,160	4,268,594,160
Capital Paid in Excess of Par Value (Note 21)	11,418,563,257	11,418,563,257
Surplus Reserves (Note 30)	1,046,398,969	1,043,979,211
Surplus (Note 21)	24,455,554,572	21,207,490,714
Fair Value Reserves on Financial Assets at FVOCI (Note 8)	70,794,457	(48,782,635)
Remeasurement Losses on Retirement Plan (Note 24)	(1,129,174,728)	(748,523,773)
Equity in Remeasurement Gains on Retirement Plan of a Joint Venture (Note 10)	6,178,352	2,877,392
Equity in Hedge Reserves of a Joint Venture (Note 10)	9,707,213	(12,144,581)
Cumulative Translation Adjustment	7,541,664	7,557,479
	40,154,157,916	37,139,611,224
	₱238,433,295,954	₱264,421,009,234

See accompanying Notes to Financial Statements.

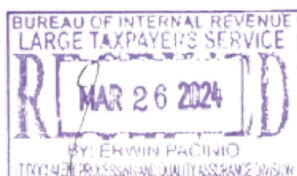


PHILIPPINE SAVINGS BANK

STATEMENTS OF INCOME

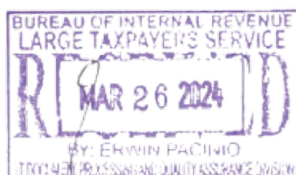
	Years Ended December 31		
	2023	2022	2021
INTEREST INCOME			
Loans and receivables (Note 9)	₱11,479,459,384	₱10,159,518,037	₱12,148,774,170
Financial assets at FVOCI and investment securities at amortized cost (Note 8)	4,307,661,938	2,574,256,913	1,486,019,162
Due from Bangko Sentral ng Pilipinas (Note 7)	1,397,792,663	1,254,216,130	648,063,197
Interbank loans receivable and securities purchased under resale agreements (Note 7)	419,381,106	195,778,577	70,592,184
Due from other banks	16,474,592	4,101,643	47,132
FVTPL investments (Note 8)	3,495,728	2,152	11,272,985
	17,624,265,411	14,187,873,452	14,364,768,830
INTEREST EXPENSE			
Deposit liabilities (Note 16)	5,663,176,485	2,811,393,495	1,637,233,919
Lease liabilities (Note 25)	78,902,394	79,873,386	85,201,992
Bills payable (Note 17)	35,278,313	21,919,260	41,972
Bonds payable (Note 17)	20,731,311	224,036,617	437,530,261
	5,798,088,503	3,137,222,758	2,160,008,144
NET INTEREST INCOME	11,826,176,908	11,050,650,694	12,204,760,686
Service fees and commission income (Note 22)	1,792,742,915	1,732,841,894	1,581,126,848
Service fees and commission expense (Note 22)	65,583,938	51,309,070	47,816,732
NET SERVICE FEES AND COMMISSION INCOME	1,727,158,977	1,681,532,824	1,533,310,116
OTHER OPERATING INCOME (CHARGES)			
Gain on foreclosure and sale of chattel mortgage properties - net (Note 14)	619,971,252	700,214,707	142,185,112
Gain on foreclosure and sale of investment properties - net (Note 12)	361,931,299	801,738,724	571,276,769
Foreign exchange gain (loss) - net	17,627,813	(6,075,489)	(8,168,185)
Trading and securities gains - net (Note 8)	5,293,898	2,455,186	2,733,476
Gain on sale of property and equipment (Note 11)	3,895,058	12,079,779	2,042,084
Gain on disposal of investment securities at amortized cost (Notes 3 and 8)	—	—	11,711,129
Miscellaneous (Notes 12, 23 and 25)	582,860,969	777,775,337	700,430,805
	1,591,580,289	2,288,188,244	1,422,211,190
TOTAL OPERATING INCOME	15,144,916,174	15,020,371,762	15,160,281,992
OTHER EXPENSES			
Compensation and fringe benefits (Notes 24 and 29)	3,811,715,458	3,640,553,887	3,545,335,550
Taxes and licenses	1,672,526,981	1,612,926,317	1,586,134,257
Provision for credit and impairment losses (Note 15)	1,451,089,796	1,306,242,436	3,070,678,224
Depreciation (Note 11)	840,135,760	755,952,721	836,327,579
Security, messengerial and janitorial services	431,238,658	413,011,422	349,532,682
Occupancy and equipment-related costs (Note 25)	338,465,479	344,568,484	352,588,645
Amortization of intangible assets (Note 13)	106,212,859	102,850,715	113,649,164
Miscellaneous (Notes 12 and 26)	1,690,846,708	2,130,720,607	2,082,202,992
	10,342,231,699	10,306,826,589	11,936,449,093

(Forward)



	Years Ended December 31		
	2023	2022	2021
INCOME BEFORE SHARE IN NET INCOME OF A JOINT VENTURE AND INCOME TAX	₱4,802,684,475	₱4,713,545,173	₱3,223,832,899
SHARE IN NET INCOME OF A JOINT VENTURE (Notes 10 and 29)	86,340,894	83,418,474	41,914,529
INCOME BEFORE INCOME TAX	4,889,025,369	4,796,963,647	3,265,747,428
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 27)			
Current	1,208,573,920	783,316,316	312,183,551
Deferred	(850,610,415)	335,219,072	1,414,071,157
	357,963,505	1,118,535,388	1,726,254,708
NET INCOME	₱4,531,061,864	₱3,678,428,259	₱1,539,492,720
Basic/Diluted Earnings Per Share (Note 28)	₱10.61	₱8.62	₱3.61

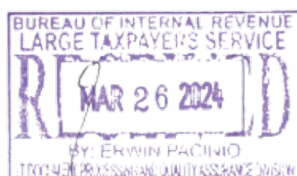
See accompanying Notes to Financial Statements.



PHILIPPINE SAVINGS BANK
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2023	2022	2021
NET INCOME	₱4,531,061,864	₱3,678,428,259	₱1,539,492,720
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Items that recycle to profit or loss in subsequent periods:</i>			
Equity in hedge reserves of a joint venture (Note 10)	21,851,794	—	22,952,699
Fair value reserves on debt securities at FVOCI (Note 8)	112,803,154	(58,258,709)	(13,993,219)
Cumulative translation adjustment	(15,815)	14,514,893	14,614,438
	134,639,133	(43,743,816)	23,573,918
<i>Items that do not recycle to profit or loss in subsequent periods:</i>			
Remeasurement gains (losses) on retirement plan (Note 24)	(507,534,607)	(154,184,385)	193,636,016
Equity in remeasurement gains (losses) on retirement plan of a joint venture (Note 10)	3,300,960	—	4,162,568
Fair value reserves on equity securities at FVOCI (Note 8)	6,773,938	7,066,184	3,344,929
Income tax effect (Note 27)	126,883,652	38,546,096	(100,283,171)
	(370,576,057)	(108,572,105)	100,860,342
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX	(235,936,924)	(152,315,921)	124,434,260
TOTAL COMPREHENSIVE INCOME, NET OF TAX	₱4,295,124,940	₱3,526,112,338	₱1,663,926,980

See accompanying Notes to Financial Statements.

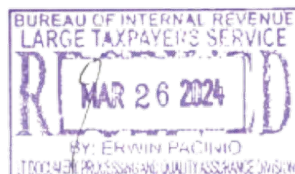


PHILIPPINE SAVINGS BANK

STATEMENTS OF CHANGES IN EQUITY

	Common Stock (Note 21)	Capital Paid in Excess of Par Value (Note 21)	Surplus Reserves (Note 30)	Surplus (Note 21)	Fair Value Reserves on Financial Assets at FVOCI (Note 8)	Remeasurement Losses on Retirement Plan (Note 24)	Equity in Remeasurement Gains on Retirement Plan of a Joint Venture (Note 10)	Equity in Hedge Reserves of a Joint Venture (Note 10)	Cumulative Translation Adjustment	Total
Balance at January 1, 2023	₱4,268,594,160	₱11,418,563,257	₱1,043,979,211	₱21,207,490,714	(₱48,782,635)	(₱748,523,773)	₱2,877,392	(₱12,144,581)	₱7,557,479	₱37,139,611,224
Total comprehensive income (loss) for the year	—	—	—	4,531,061,864	119,577,092	(380,650,955)	3,300,960	21,851,794	(15,815)	4,295,124,940
Cash dividends (Note 21)	—	—	—	(1,280,578,248)	—	—	—	—	—	(1,280,578,248)
Appropriation of surplus to trust business (Note 30)	—	—	2,419,758	(2,419,758)	—	—	—	—	—	—
Balance at December 31, 2023	₱4,268,594,160	₱11,418,563,257	₱1,046,398,969	₱24,455,554,572	₱70,794,457	(₱1,129,174,728)	₱6,178,352	₱9,707,213	₱7,541,664	₱40,154,157,916
Balance at January 1, 2022	₱4,268,594,160	₱11,418,563,257	₱1,041,471,464	₱18,812,148,450	₱2,409,890	(₱632,885,484)	₱2,877,392	(₱12,144,581)	(₱6,957,414)	₱34,894,077,134
Total comprehensive income (loss) for the year	—	—	—	3,678,428,259	(51,192,525)	(115,638,289)	—	—	14,514,893	3,526,112,338
Cash dividends (Note 21)	—	—	—	(1,280,578,248)	—	—	—	—	—	(1,280,578,248)
Appropriation of surplus to trust business (Note 30)	—	—	2,507,747	(2,507,747)	—	—	—	—	—	—
Balance at December 31, 2022	₱4,268,594,160	₱11,418,563,257	₱1,043,979,211	₱21,207,490,714	(₱48,782,635)	(₱748,523,773)	₱2,877,392	(₱12,144,581)	₱7,557,479	₱37,139,611,224
Balance at January 1, 2021	₱4,268,594,160	₱11,418,563,257	₱1,039,166,094	₱18,555,539,349	₱13,058,180	(₱726,238,329)	(₱1,285,176)	(₱35,097,280)	(₱21,571,852)	₱34,510,728,403
Total comprehensive income (loss) for the year	—	—	—	1,539,492,720	(10,648,290)	93,352,845	4,162,568	22,952,699	14,614,438	1,663,926,980
Cash dividends (Note 21)	—	—	—	(1,280,578,249)	—	—	—	—	—	(1,280,578,249)
Appropriation of surplus to trust business (Note 30)	—	—	2,305,370	(2,305,370)	—	—	—	—	—	—
Balance at December 31, 2021	₱4,268,594,160	₱11,418,563,257	₱1,041,471,464	₱18,812,148,450	₱2,409,890	(₱632,885,484)	₱2,877,392	(₱12,144,581)	(₱6,957,414)	₱34,894,077,134

See accompanying Notes to Financial Statements.

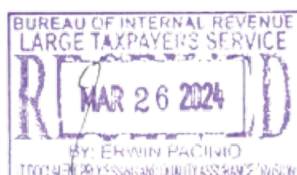


PHILIPPINE SAVINGS BANK

STATEMENTS OF CASH FLOWS

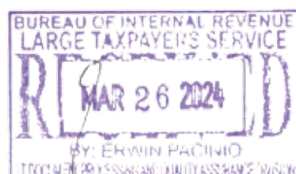
	Years Ended December 31		
	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱4,889,025,369	₱4,796,963,647	₱3,265,747,428
Adjustments to reconcile income before income tax to net cash provided by operations:			
Provision for credit and impairment losses (Note 15)	1,451,089,796	1,306,242,436	3,070,678,224
Amortization of premium (discount) on financial assets at fair value through other comprehensive income and investment securities at amortized cost	(2,448,385,863)	(2,414,610,975)	(1,283,775,979)
Depreciation (Note 11)	840,135,760	755,952,721	836,327,579
Loss (gain) on foreclosure and sale of:			
Investment properties (Note 12)	(361,931,299)	(801,738,724)	(571,276,769)
Chattel mortgage properties (Note 14)	(619,971,252)	(700,214,707)	(142,185,112)
Accretion of modified loans (Notes 9 and 23)	(70,125,024)	(107,007,086)	(134,649,231)
Amortization of:			
Intangible assets (Note 13)	106,212,859	102,850,715	113,649,164
Debt issuance costs (Note 17)	1,550,061	14,836,617	31,156,411
Accretion of lease liabilities (Note 25)	78,902,394	79,873,386	85,201,992
Share in net income of a joint venture (Note 10)	(86,340,894)	(83,418,474)	(41,914,529)
Realized loss (gain) on sale of financial assets at fair value through other comprehensive income (FVOCI) and amortized cost (Note 8)	(677,047)	2,499,021	(15,711,131)
Gain on sale of property and equipment (Note 11)	(3,895,058)	(12,079,779)	(2,042,084)
Fair value loss (gain) on fair value through profit or loss investments (Note 8)	(1,763,136)	8,826	5,488
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Fair value through profit or loss investments	(412,499,302)	—	—
Loans and receivables	(16,690,866,036)	(2,904,935,501)	25,570,222,978
Other assets	(25,085,315)	127,575,882	(193,933,191)
Increase (decrease) in:			
Deposit liabilities	(24,149,496,905)	(3,016,581,657)	49,338,695,929
Treasurer's, cashier's and manager's checks	499,839,859	420,594,802	62,312,575
Accrued taxes, interest and other expenses	157,320,735	821,474,754	(98,156,780)
Other liabilities	(313,236,832)	751,987,887	(498,574,337)
Cash generated from (used in) operations	(37,160,197,130)	(859,726,209)	79,391,778,625
Income taxes paid	(1,208,573,920)	(783,396,863)	(634,121,985)
Dividends received from joint venture investment (Note 10)	57,599,971	30,059,985	11,579,995
Net cash provided by (used in) operating activities	(38,311,171,079)	(1,613,063,087)	78,769,236,635
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of:			
Financial assets at FVOCI	(522,049,795,033)	(596,433,148,029)	(486,598,968,817)
Investment securities at amortized cost	(890,227,702)	(8,626,650,004)	(7,842,285,003)
Property and equipment (Note 11)	(388,426,720)	(332,839,077)	(118,057,916)
Other intangible assets (Note 13)	(70,519,156)	(75,548,530)	(33,699,129)
Proceeds from sale/maturities of:			
Financial assets at FVOCI (Note 8)	540,298,330,000	588,538,027,651	437,165,080,000
Chattel mortgage properties (Note 14)	2,006,025,248	2,073,485,973	4,152,276,913
Investment securities at amortized cost	1,027,002,760	47,454,850	1,128,720,734
Investment properties (Note 12)	780,498,824	923,283,316	986,515,245
Property and equipment (Note 11)	51,992,160	99,482,403	28,485,973
Net cash provided by (used in) investing activities	20,764,880,381	(13,786,451,447)	(51,131,932,000)
CASH FLOWS FROM FINANCING ACTIVITIES			
Settlement of bonds payable	(4,650,000,000)	—	(6,300,000,000)
Dividends paid (Note 21)	(1,280,578,248)	(1,280,578,248)	(1,280,578,249)
Payment of lease liabilities (Notes 25 and 32)	(533,555,296)	(558,996,040)	(479,330,246)
Settlement of bills payable (Note 32)	(5,981,745,057)	(8,664,527,168)	(413,930,000)
Availments of bills payable (Note 32)	5,067,696,543	9,850,472,143	413,930,000
Net cash provided by (used in) financing activities	(7,378,182,058)	(653,629,313)	(8,059,908,495)
Effect of exchange rate differences	(399)	756,081	485,670

(Forward)



	Years Ended December 31		
	2023	2022	2021
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(P24,924,473,155)	(P16,052,387,766)	P19,577,881,810
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
Cash and other cash items	1,930,720,274	2,801,335,279	2,841,851,535
Due from Bangko Sentral ng Pilipinas - gross (Notes 7 and 16)	37,553,243,574	52,428,888,060	31,689,964,554
Due from other banks - gross	2,925,163,812	1,368,023,210	1,575,447,188
Interbank loans receivable and securities purchased under resale agreements (Note 7)	2,669,609,031	4,532,877,908	5,445,979,370
	45,078,736,691	61,131,124,457	41,553,242,647
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Cash and other cash items	1,653,554,961	1,930,720,274	2,801,335,279
Due from Bangko Sentral ng Pilipinas - gross (Notes 7 and 16)	9,745,633,911	37,553,243,574	52,428,888,060
Due from other banks - gross	1,765,438,984	2,925,163,812	1,368,023,210
Interbank loans receivable and securities purchased under resale agreements (Note 7)	6,989,635,680	2,669,609,031	4,532,877,908
	P20,154,263,536	P45,078,736,691	P61,131,124,457
OPERATIONAL CASH FLOWS FROM INTEREST			
Interest paid	P5,786,661,627	P2,820,995,599	P2,188,101,637
Interest received	15,417,117,332	12,782,470,531	14,065,718,328

See accompanying Notes to Financial Statements.



PHILIPPINE SAVINGS BANK

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Philippine Savings Bank (the Bank) was incorporated in the Philippines primarily to engage in savings and mortgage banking. The Bank's shares are listed in the Philippine Stock Exchange (PSE). The Bank offers a wide range of products and services such as deposit products, loans, treasury and trust functions that mainly serve the retail and consumer markets. On September 6, 1991, the Bank was authorized to perform trust functions.

As of December 31, 2023 and 2022, the Bank had 250 branches. In 2023, the Bank had 271 Automated Teller Machines (ATMs) in the branches (on-site) and 285 in other locations (off-site) bringing its total number of ATMs to 556 as of December 31, 2023 and 557 as of December 31, 2022.

The Bank's original Certificate of Incorporation was issued by the Securities and Exchange Commission (SEC) on June 30, 1959. On March 28, 2006, the Board of Directors (BOD) of the Bank approved the amendment of Article IV of its Amended Articles of Incorporation to extend the corporate term of the Bank, which expired on June 30, 2009, for another 50 years or up to June 30, 2059. This was subsequently approved by stockholders representing at least two-thirds of the outstanding capital stock of the Bank on April 25, 2006. The Amended Articles of Incorporation was approved by the SEC on September 27, 2006.

On April 27, 2010, by majority vote of the BOD and by stockholders representing two-thirds of the outstanding capital stock, the amendment of Article VI of its Amended Articles of Incorporation reducing the number of directors from a maximum of eleven (11) to a maximum of nine (9) has been approved. This was approved by the SEC on August 26, 2010.

On March 24, 2014, the BOD approved Article III of Articles of Incorporation to specify its principal address from Makati City to PSBank Center, 777 Paseo de Roxas corner Sedeño Street, Makati City 1226. The Amended Articles of Incorporation was approved by the SEC on December 22, 2014.

As of December 31, 2023 and 2022, Metropolitan Bank & Trust Company (MBTC), the Bank's ultimate parent, owned 88.38% of the Bank.

2. Material Accounting Policy Information

Basis of Preparation

The accompanying financial statements have been prepared on a historical cost basis except for financial assets and financial liabilities at fair value through profit or loss (FVTPL) and financial assets at fair value through other comprehensive income (FVOCI) that have been measured at fair value. All values are rounded to the nearest peso unless otherwise stated.

The financial statements of the Bank include the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The functional currency of RBU and FCDU is Philippine Peso (PHP) and United States Dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated into their equivalents in Philippine peso (see accounting policy on Foreign Currency Translation). The financial statements of these units are combined after eliminating inter-unit accounts.



The financial statements provide comparative information in respect of the previous period. In addition, the Bank presents an additional statement of condition at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements.

Statement of Compliance

The financial statements of the Bank have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Presentation of Financial Statements

The Bank presents its statements of condition in order of liquidity. An analysis regarding recovery of assets or settlement of liabilities within twelve (12) months after the statement of condition date (current) and more than 12 months after the statement of condition date (non-current) is presented in Note 20.

Financial assets and financial liabilities are offset and the net amount is reported in the statements of condition only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. The Bank assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of solvency or bankruptcy of the Bank and all of the counterparties.

Income and expenses are not offset in the statements of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

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 standards effective as at January 1, 2023. The Bank has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements of the Bank.

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

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

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

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



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

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

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

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

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

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

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

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

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

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

Summary of Material Accounting Policies

Foreign Currency Translation

The financial statements are presented in PHP, which is the Bank’s functional and presentation currency.

The books of accounts of the RBU are maintained in PHP, while those of the FCDU are maintained in USD.

RBU

As at reporting date, foreign currency monetary assets and liabilities of the RBU are translated in PHP based on the Bankers Association of the Philippines (BAP) closing rate prevailing at the statement of condition date, and foreign currency-denominated income and expenses, at the exchange rates as at the dates of the transactions. Foreign exchange differences arising from restatements of



foreign currency-denominated assets and liabilities in the RBU are credited to or charged against profit or loss in the year in which the rates change. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

FCDU

As at reporting date, the assets and liabilities of the FCDU are translated to the Bank's presentation currency (PHP) at the BAP closing rate prevailing at the statement of condition date, and its income and expenses are translated using the exchange rates as at the dates of the transactions. Exchange differences arising on translation to the presentation currency are taken to the statements of comprehensive income under 'Cumulative translation adjustment'. Upon disposal of the FCDU or upon actual remittance of FCDU profits to RBU, the deferred cumulative amount recognized in the statements of comprehensive income is recognized in the statements of income.

Fair Value Measurement

The Bank measures financial instruments, such as FVTPL investments, financial assets at FVOCI and derivative financial instruments, at fair value at each statement of condition date. Also, fair values of financial instruments measured at amortized cost and non-financial assets such as investment properties are disclosed in Note 4.

Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or most advantageous market must be accessible to the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

If an asset or a liability measured at fair value has a bid price and an ask price (e.g., an input from a dealer market), the price between the bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy.

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

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



All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, due from BSP and other banks, interbank loans receivable and securities purchased under resale agreements (SPURA) that are convertible to known amounts of cash which have original maturities of three months or less from date of placements and that are subject to an insignificant risk of changes in value. Due from BSP includes the statutory reserves required by the BSP which the Bank considers as cash equivalents as withdrawals can be made to meet the Bank's cash requirements as allowed by the BSP.

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

Purchases or sales of financial assets, except for derivatives, that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. Derivative financial instruments are recognized on a trade date basis. Deposits, amounts due to banks and loans and receivables are recognized when cash is received by the Bank or advanced to the borrowers.

Initial recognition of financial instruments

All financial instruments are initially measured at fair value. Except for financial assets and financial liabilities at FVTPL, the initial measurement of financial instruments includes transaction costs.

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 Bank recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the statement of income. 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 Bank determines the appropriate method of recognizing the 'Day 1' difference amount.



Financial Instruments – Classification and Subsequent Measurement

Financial assets are measured at FVTPL unless these are measured at FVOCI or at amortized cost. Financial liabilities are classified as either financial liabilities at FVTPL or financial liabilities at amortized cost. The classification of financial assets depends on the contractual terms and the business model for managing the financial assets. Subsequent to initial recognition, the Bank may reclassify its financial assets only when there is a change in its business model for managing these financial assets. Reclassification of financial liabilities is not allowed.

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios. As a second step of its classification process, the Bank assesses the contractual terms of financial assets to identify whether they pass the contractual cash flows test (SPPI test).

Investments at FVTPL

Financial assets or financial liabilities at FVTPL

Financial assets and financial liabilities at FVTPL include financial assets and financial liabilities held for trading purposes and derivative instruments.

Financial instruments held-for-trading

Financial assets or financial liabilities held for trading (HFT) are recorded in the statements of condition at fair value. Included in this classification are debt securities which have been acquired principally for the purpose of selling in the near term. Changes in fair value relating to the HFT positions are recognized in 'Trading and securities gains (losses) - net'. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded in other operating income under 'Miscellaneous' when the right to receive payment has been established.

Derivatives recorded at FVTPL

Derivative financial instruments are initially recorded at fair value on the date at which the derivative contract is entered into and are subsequently re-measured at fair value. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as cash flow hedges) are taken directly to the statements of income and are included in 'Foreign exchange gain - net'. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. As of December 31, 2023 and 2022, derivatives consist of Republic of the Philippines (ROP) paired warrants acquired to manage the Bank's foreign currency risk, lower the risk-weighted assets and improve the capital adequacy ratio of the Bank.

Financial assets at FVOCI

Financial assets at FVOCI include debt and equity securities. After initial measurement, investment securities at FVOCI are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of financial assets at FVOCI are excluded, net of tax as applicable, from the reported earnings and are included in the statements of comprehensive income as 'Fair value reserves on financial assets at FVOCI'.

Debt securities at FVOCI are those that meet both of the following conditions: (i) the asset is held within a business model whose objective is to hold the financial assets in order to both collect contractual cash flows and sell financial assets; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the outstanding principal amount. The effective yield component of debt securities at FVOCI, as well as the impact of restatements on foreign currency-denominated debt securities at FVOCI, is reported in the statements of income. Interest earned on holding debt securities at FVOCI are reported as 'Interest income' using the effective interest method. When the debt securities at FVOCI are disposed of, the cumulative gain or



loss previously recognized in the statements of comprehensive income is recognized as 'Trading and securities gain (loss) - net' in the statements of income. The ECL arising from impairment of such investments are recognized in OCI with a corresponding charge to 'Provision for credit and impairment losses' in the statements of income.

Equity securities designated at FVOCI are those that the Bank made an irrevocable election to present in OCI the subsequent changes in fair value. Dividends earned on holding equity securities at FVOCI are recognized in the statements of income as 'Dividends' when the right to receive payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Gains and losses on disposal of these equity securities are never recycled to profit or loss, but the cumulative gain or loss previously recognized in the statements of comprehensive income is reclassified to 'Surplus' or any other appropriate equity account upon disposal. Equity securities at FVOCI are not subject to impairment assessment.

Financial assets at amortized cost

Financial assets at amortized cost are debt financial assets that meet both of the following conditions: (i) these are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows; and (ii) the contractual terms give rise on specified dates to cash flows that are SPPI on the outstanding principal amount. This accounting policy relates to the statements of condition captions 'Due from BSP', 'Due from other banks', 'Interbank loans receivable and SPURA', 'Investment securities at amortized cost' and 'Loans and receivables'.

After initial measurement, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization is included in 'Interest income' in the statements of income. Gains and losses are recognized in statements of income when these investments are derecognized or impaired, as well as through the amortization process. The ECL are recognized in the statements of income under 'Provision for credit and impairment losses'. The effects of revaluation on foreign currency denominated investments are recognized in the statements of income.

Other financial liabilities carried at amortized cost

This category represents issued financial instruments or their components, which are not designated at FVTPL and comprises deposit liabilities, bills payable, subordinated notes, treasurer's, cashier's and manager's checks, accrued interest payable, accrued other expenses payable, accounts payable, bills purchased-contra, other credits, dividends payable, deposits for keys-safety deposit boxes (SDB), and overages, where the substance of the contractual arrangement results in the Bank 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.

After initial measurement, financial liabilities not qualified and not designated as FVTPL are subsequently measured at amortized cost using the effective interest amortization method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

A compound financial instrument which contains both a liability and an equity component is separated at the issue date. A portion of the net proceeds of the instrument is allocated to the debt component on the date of issue based on its fair value (which is generally determined based on quoted market prices for similar debt instruments). The residual amount determined after deducting the fair value of the debt component is assigned to the equity component. The value of any derivative



features (such as a call option) embedded in the compound financial instrument other than the equity component is included in the debt component.

Financial Guarantees and Undrawn Loan Commitments

The Bank issues financial guarantees and loan commitments. Financial guarantees are those issued by the Bank to creditors as allowed under existing rules and regulations whereby it guarantees third party obligations by signing as guarantor in the contract/agreement. Undrawn loan commitments and letters of credit are commitments under which over the duration of the commitment, the Bank 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. These contracts are in the scope of the ECL requirements where the Bank estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to financial guarantees and undrawn loan commitments is recognized in 'Miscellaneous liabilities' under 'Other liabilities'.

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is primarily derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Bank 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;
- the Bank has transferred its rights to receive cash flows from the asset and either:
 - a. the Bank has transferred substantially all the risks and rewards of the asset or
 - b. the Bank has neither transferred nor retained the risks and rewards of the asset but has transferred control over the asset.

Where the Bank 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 is transferred control over the asset, the asset recognized to the extent of the Bank's continuing involvement in the asset. In this case, the Bank also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

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 Bank could be required to repay.

Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If a write-off is later recovered, any amounts formerly charged are credited to 'Recovery on charged-off assets' under 'Miscellaneous income' in the statements of income.

Modification of financial assets

The Bank derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.



The Bank considers both qualitative and quantitative factors in assessing whether a modification of financial asset is substantial or not. When assessing whether a modification is substantial, the Bank considers the following factors, among others:

- Change in currency
- Introduction of an equity feature
- Change in counterparty
- If the modification results in the asset no longer considered “solely payment for principal and interest”

The Bank also performs a quantitative assessment similar to that being performed for modification of financial liabilities. In performing the quantitative assessment, the Bank considers the new terms of a financial asset to be substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial asset.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Bank recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the statement of income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a ‘new’ financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for ECL measurement purposes, unless the new financial asset is deemed to be originated as credit impaired (POCI).

Financial liabilities

A financial liability (or a part of a financial liability) is derecognized when the obligation under the liability is discharged, 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 or a part of it are substantially modified, such an exchange or modification is treated as a derecognition of the original financial liability and the recognition of a new financial liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Repurchase and Reverse Repurchase Agreements

Securities sold under agreements to repurchase (SSURA) at a specified future date (‘repos’) are not derecognized from the statements of condition as the Bank retains substantially all the risks and rewards of ownership. The corresponding cash received, including accrued interest, is recognized in the statements of condition as a loan to the Bank under ‘Bills payable’, reflecting the economic substance of such transaction.

Conversely, SPURA at a specified future date (‘reverse repos’) are not recognized in the statements of condition. The consideration paid, including accrued interest, is recognized in the statements of condition as SPURA, and is considered 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 amortization method.



Reclassification of Financial Assets

The Bank reclassifies its financial assets when there is a change in its business model for managing financial assets. A change in business model occurs when the Bank either begins or ceases to perform an activity that is significant to its operations. The Bank applies the reclassification prospectively from the reclassification date and does not restate any previously recognized gains, losses or interest.

Impairment of Financial Assets

PFRS 9 requires the Bank to record ECL for all loans and other debt financial assets not classified as at FVTPL, together with loan commitments and financial guarantee contracts.

Expected credit loss methodology

ECL represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The objective is to record lifetime losses on all financial instruments which have experienced a significant increase in credit risk (SICR) since their initial recognition. As a result, ECL allowances are now measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a SICR since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that result from all possible default events over the expected life of a financial instrument. In comparison, the previous incurred loss model recognizes lifetime credit losses only when there is objective evidence of impairment.

In select circumstances, accounts are individually assessed to ensure that provisions are appropriate and adequate. Manual loan classification reviews additional qualitative factors and prescribes much higher provisions that is based on portfolio historical experience.

Staging assessment

For non-credit-impaired financial instruments:

- Stage 1 is comprised of all non-impaired financial instruments which have not experienced a SICR since initial recognition. The Bank recognizes a 12-month ECL for Stage 1 financial instruments.
- Stage 2 is comprised of all non-impaired financial instruments which have experienced a SICR since initial recognition. The Bank recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:

- Financial instruments are classified as Stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The ECL model requires that lifetime ECL be recognized for impaired financial instruments.

Definition of “default” and “cure”

As a part of a qualitative assessment of whether a customer is in default, the Bank considers a variety of instances that may indicate unlikelihood to pay. The Bank’s definition of default is aligned with the non-performing loan criteria as prescribed in BSP Circular No. 941. Defaults refer to loans, investments, receivables, or any financial asset, even without any missed contractual payments, that satisfy any of the following conditions (1) impaired under existing accounting standards, (2) classified as doubtful or loss, (3) in litigation, (4) 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 ninety (90) days from contractual due date, or accrued interests for more than ninety (90) days have been capitalized, refinanced, or delayed by agreement. Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained. Defaults are characterized by financial assets that have objective evidence of impairment at the reporting date and as such classified under Stage 3 ECL treatment.

An instrument is considered to be no longer in default, i.e., to have cured, when it no longer meets any of the default criteria above and there is sufficient evidence to support full collection through payments received for at least 6 months. Cured accounts are classified under Stage 1 ECL treatment.

Significant increase in credit risk (SICR)

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in probabilities of default and qualitative factors, including a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Bank's quantitative models, the borrower or counterparty's credit rating has deteriorated by at least 2 notches. On the other hand, if based on the Bank's internal credit assessment, the borrower or counterparty is determined to require close monitoring or with well-defined credit weaknesses, then credit risk may have significantly increased as well. Moreover, if contractual payments are more than 30 days past due threshold, the credit risk is deemed to have increased significantly since initial recognition. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which amortized payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, the Bank shall revert to recognizing a 12-month ECL.

ECL parameters and methodologies

ECL is a function of the probability of default (PD), exposure at default (EAD) and loss given default (LGD) with each of the parameter independently modelled.

The PD represents the likelihood that a credit exposure will not be repaid and will go into default in either a 12-month horizon for Stage 1 or lifetime horizon for Stage 2. The PD for each individual instrument is modelled based on historical data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Bank segmented its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio.

EAD is modelled on historical data and represents an estimate of the outstanding amount of credit exposure at the time a default may occur. For off-balance sheet and undrawn amounts, EAD includes an estimate of any further amounts to be drawn at the time of default. LGD is the amount that may not be recovered in the event of default and is modelled based on historical cash flow recovery and reasonable and supportable information about future economic conditions, where appropriate. LGD takes into consideration the amount and quality of any collateral held.

Economic overlays and multiple economic scenarios

The Bank incorporates economic overlays into the measurement of ECL to add a forward-looking risk measure parallel to multiple future macroeconomic atmosphere expectations. A broad range of economic indicators were considered for the economic inputs, such as GDP, GIR change, CPI change, PSE indices, foreign exchange rates and other BSP statistical indicators. The inputs and



models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To address this, quantitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The Bank's loans and receivables consist of different portfolios, such as consumption, real estate, commercial and personal loans, as well as other receivables (e.g., sales contract receivables). In compliance with PFRS 9, the Bank developed ECL parameters and methodologies for each portfolio, using historical data as well as forward-looking inputs and assumptions.

Restructured loans

In certain circumstances, the Bank modifies the original terms and conditions of a credit exposure to form a new loan agreement or payment schedule. The modifications can be given depending on the borrower's or counterparty's current or expected financial difficulty. The modifications may include, but are not limited to, changes in maturity date, principal amount from capitalization of accrued interest, terms and conditions from conversion/consolidation or interest rates/repricing cycle that results in an extension in the loan maturity. Distressed restructuring with indications of unlikeliness to pay are categorized as impaired accounts and are initially moved to Stage 3.

The Bank implements a curing policy for restructured accounts compliant with BSP Circular No. 1011. Restructured accounts that have exhibited improvements in creditworthiness may be moved from Stage 3 after a total of one-year probation period. These accounts are transferred to Stage 2 after six months of full payments and consequently transferred to Stage 1 after making the next six months of full payments.

Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subjected to an individual or collective impairment assessment, calculated using the loan's original EIR if the original loan has a fixed interest rate and the current repriced rate if the original loan is repriceable. The difference between the recorded value of the original loan and the present value of the restructured cash flows, discounted at the applicable interest rate, is recognized in 'Provision for credit and impairment losses' in the statements of income.

Investment in a Joint Venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Bank's investment in its joint venture is accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Bank's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The statement of income reflects the Bank's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Bank's OCI. In addition, when there has been a change recognized directly in the equity of the joint venture, the Bank recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses



resulting from transactions between the Bank and joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Bank's share of profit or loss of a joint venture is shown on the face of the statement of income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of a joint venture are prepared for the same reporting period as the Bank. The length of the reporting period is the same from period to period. When necessary, adjustments are made to bring the accounting policies in line with those of the Bank.

After application of the equity method, the Bank determines whether it is necessary to recognize an impairment loss on its investment in its joint venture. At each statement of condition date, the Bank determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Bank calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, then recognizes the loss as 'Share in net income of a joint venture' in the statements of income.

Upon loss of joint control over the joint venture, the Bank measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Property and Equipment

Land is stated at cost less any impairment in value, while depreciable properties, including building, furniture, fixtures and equipment, and leasehold improvements, are stated at cost less accumulated depreciation and any accumulated impairment losses. The initial cost of property and equipment consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been put into operation, such as repairs and maintenance, are normally charged against profit or loss in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property and equipment.

Depreciation is calculated using the straight-line method to write down the cost of the property and equipment to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

Buildings	25-50 years
Furniture, fixtures and equipment	3-5 years, depending on the type of assets
Leasehold improvements	5 years or the term of the related lease, whichever is shorter

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year-end to ensure that these are consistent with the expected pattern of economic benefits from the items of property and equipment.

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



The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the asset is written down to its recoverable amount.

Leases

Bank as lessee

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i. Right-of-use assets

The Bank recognizes right-of-use assets (included in 'Property and Equipment') at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight line basis over the shorter of the lease term and estimated useful lives of the assets as follows:

Office space and warehouses	1 to 20 years
ATM space	1 to 3 years

ii. Lease liabilities

At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expense (unless they are incurred to produce inventories) in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Bank uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Bank recognizes right-of-use assets and lease liabilities, except for short-term leases and leases of low-value assets. The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities are recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.



Determining the lease term of contracts with renewal options

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that are within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Bank's lease liabilities are included in 'Other Liabilities'.

iii. *Short-term leases and leases of low-value assets*

The Bank applies the short-term lease recognition exemption to its short-term leases of office equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of ATMs and office equipment that are considered of low value (i.e., ₱250,000 and below). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Investment Properties

Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at the fair value of the asset acquired unless the fair value of such asset cannot be measured, in which case the investment property acquired is measured at the carrying amount of the asset given up. The difference between the fair value of the asset received and the carrying amount of the asset given up is recorded as 'Gain on foreclosure of real assets and other properties acquired' under 'Gain on foreclosure and sale of investment properties'. Foreclosed properties are classified under investment properties from foreclosure date. Expenditures incurred after the investment properties are recognized, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred.

Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation and impairment in value, except for land which is stated at cost less impairment in value. Depreciation is calculated using the straight-line method over the remaining useful lives from the time of acquisition of the investment properties. The estimated useful life of building and condominium units ranges from 10 to 40 years.

Investment properties are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of income in 'Gain on foreclosure and sale of investment properties - net' in the year of retirement or disposal.

Transfers are made 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. Transfers are made from 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.



Chattel Mortgage Properties

Chattel mortgage properties comprise of repossessed vehicles. Chattel mortgage properties are stated at cost less accumulated depreciation and impairment in value. Chattel mortgage properties acquired are initially recognized at fair value. Depreciation is calculated using the straight-line method over the remaining useful lives from the time of acquisition of the vehicles. The useful lives of chattel mortgage properties are estimated to be five years.

Chattel mortgage properties are derecognized when they have either been disposed of or when the chattel mortgage property is permanently withdrawn from use and no future benefit is expected from its disposal.

Any gains or losses on disposal of chattel mortgage properties are recognized in the statements of income under 'Gain (loss) on foreclosure and sale of chattel mortgage properties- net' in the year of disposal.

Intangible Assets

The Bank's intangible assets include branch licenses and computer software. An intangible asset is recognized only when the cost can be measured reliably, and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statements of income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and they are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statements of income under 'Amortization of intangible assets'.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit (CGU) level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

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

Branch licenses

Branch licenses arise from the acquisition of branches from local banks and licenses to operate new branches from the BSP. Branch licenses have indefinite useful lives and are tested for impairment on an annual basis.



Software costs

Software costs are carried at cost less accumulated amortization and any impairment in value. Given the history of rapid changes in technology, computer software are susceptible to technological obsolescence. Therefore, it is likely that their useful life is short. Software costs are amortized on a straight-line basis over five years but maybe shorter depending on the period over which the Bank expects to use the asset.

Impairment of Non-financial Assets

Property and equipment, investment properties and chattel mortgage properties

At each statement of condition date, the Bank assesses whether there is any indication that its non-financial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Bank makes a formal estimate of the recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less cost to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples and other available fair value indicators.

An impairment loss is charged to operations in the year in which it arises.

An assessment is made at each statement of condition date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been previously recognized. Such reversal is recognized in the statement of income. After such reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Goodwill

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the CGU (or group of CGU) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGU) is less than the carrying amount of the CGU (or group of CGU) to which goodwill has been allocated, an impairment loss is recognized immediately in the statements of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Bank performs its annual impairment test of goodwill as at December 31 of each year.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as at December 31 of each year, either individually or at the CGU level, as appropriate.



Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Investment in a joint venture

After application of the equity method, the Bank determines whether it is necessary to recognize an impairment loss on the Bank's investment in a joint venture. The Bank determines at each statement of condition date whether there is any objective evidence that the investment a joint venture is impaired. If this is the case, the Bank calculates the amount of impairment as being the difference between the fair value of the investment in the joint venture and the carrying amount and recognizes such amount in the statements of income.

Common Stock

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

Revenue Recognition

Revenue from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for those services.

The Bank assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Bank concluded that it is acting as a principal in all of its revenue arrangements.

Service fees and commission income

Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria. These fees include remittance fees, commissions, deposit-related and other credit-related fees.

Income from sale of property and equipment, investment property and chattel mortgage properties

Income from sale of property and equipment, investment property and chattel mortgage properties is included in the profit or loss when the property is derecognized. The gain or loss arising from the derecognition of the property is determined as the difference between the net disposal proceeds and its carrying amount on the date of the transaction.

Revenue outside the scope of PFRS 15

Interest income

For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as financial assets at FVOCI investments, interest income is recorded at the EIR, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), including any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR.

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest income'.



Under PFRS 9, when a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3 (as discussed in “Impairment of Financial Assets” above), the Bank 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 Bank reverts to calculating interest income on a gross basis.

Recovery on charged-off assets

Income arising from collections on accounts or recoveries from impairment of items previously written off are recognized in the year of recovery.

Trading and securities gains (losses) - net

Trading and securities gain (loss) represents results arising from trading activities, including all gains and losses from changes in the fair values of FVTPL investments. It also includes gains and losses realized from sale of debt securities at FVOCI.

Realized gains and losses on disposals of FVTPL investments are calculated using weighted average method. It represents the difference between an instrument's initial carrying amount and disposal amount.

Gain on disposal of investments securities at amortized cost

Gain on disposal of investment securities at amortized cost represents gain realized from sale of peso-denominated debt securities measured at amortized cost.

Rental income

Rental income arising from leased properties is accounted for on a straight-line basis over the lease terms of ongoing leases and is recorded in the statements of income under ‘Miscellaneous’ in other operating income.

Expense Recognition

Expenses are recognized when it is probable that a decrease in future economic benefit related to a decrease in an asset or an increase in liability has occurred and the decrease in economic benefits can be measured reliably. Revenues and expenses that relate to the same transaction or other event are recognized simultaneously.

Interest expense

Interest expense for all interest-bearing financial liabilities are recognized in ‘Interest expense’ in the statements of income using the EIR of the financial liabilities to which they relate.

Other expense

Expenses encompass losses as well as those expenses that arise in the ordinary course of business of the Bank. Expenses are recognized when incurred.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the acquisition cost over the share in the net fair value of the acquired identifiable assets, liabilities and contingent liabilities. The Bank's goodwill arose from past purchases of branch business/offices from the Parent Company. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.



Retirement Cost

Defined benefit plan

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the statement of condition date reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The present value of the defined benefit obligation is calculated annually by an independent actuary. 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 comprise the following:

- a. service cost;
- b. net interest on the net defined benefit liability or asset; and
- c. remeasurements of net defined benefit liability or asset.

Service costs, which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is 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 Philippine government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

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) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified 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. Plan assets are not available to the creditors of the Bank, nor can they be paid directly to the Bank. The fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the 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). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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



Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Bank expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as 'Interest expense'.

Contingent Liabilities and Contingent Assets

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

Debt Issue Costs

Issuance, underwriting and other related expenses incurred in connection with the issuance of debt instruments are included in the measurement basis of the underlying debt instruments and are amortized as an adjustment to the interest on the underlying debt instruments using the effective interest method.

Income Taxes

Income tax on profit or loss for the year comprises current and deferred tax. Income tax is determined in accordance with Philippine tax law. Income tax is recognized in the statement of income, except to the extent that it relates to OCI items recognized directly in the statements of comprehensive income.

Current tax

Current income tax is the expected tax payable on the taxable income for the period, using the tax rates enacted at the statement of condition date, together with adjustments to tax payable in respect to prior years.



Deferred tax

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

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

The carrying amount of deferred tax assets is reviewed at each statement of condition date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each statement of condition date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

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

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

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

Earnings Per Share

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

Dividends on Common Shares

Dividends on common shares are recognized as a liability and deducted from equity when approved by the BOD of the Bank. Dividends for the year that are approved after the statements of condition date are dealt with as subsequent events.

Segment Reporting

The Bank's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 6. The Bank's assets generating revenues are all located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

Fiduciary Activities

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



Subsequent Events

Post year-end events that provide additional information about the Bank's position at the statement of condition date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

Standards Issued but Not Yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Bank does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Bank intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2024

- 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 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.
- 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.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively.

- 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.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

The amendments are not expected to have a material impact on the Bank.

- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

The amendments specify disclosure requirements to enhance the current requirements, which 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.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier adoption is permitted and that fact must be disclosed.

The amendments are not expected to have a material impact on the Bank.



Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

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

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

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

On December 15, 2021, the 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 (2) years after its effective date as decided by the IASB.

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

The amendments are not expected to have a material impact on the Bank.

- 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.

The amendments are not expected to have a material impact on the Bank.

Deferred effectivity

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

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



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

The amendments are not expected to have a material impact on the Bank.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS requires the management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent assets and contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets and liabilities affected in future periods. The effects of any change in judgments, estimates and assumptions are reflected in the financial statements as they become reasonably determinable.

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

Judgments

In the process of applying the Bank's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

(a) Fair value of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of condition or disclosed in the notes to financial statements cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility for longer-dated derivatives and discount rates, prepayments and default rates assumptions. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The fair values of the Bank's financial instruments are disclosed in Note 4.

(b) Classification of financial assets

The Bank classifies its financial assets depending on the business model for managing those financial assets and whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.



The Bank performs the business model assessment based on observable factors such as:

- Performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank's key management personnel
- Risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- Compensation of business units whether based on the fair value of the assets managed or on the contractual cash flows collected
- Expected frequency, value and timing of sales

In performing the SPPI test, the Bank applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, the period for which the interest rate is set, contingent events that would change the amount and timing of cash flows, leverage features, prepayment and extension terms and other features that may modify the consideration for the time value of money.

(c) *Leases*

Bank as lessor

The Bank has entered into commercial property leases on its investment properties portfolio and over various items of furniture, fixtures and equipment. The Bank has determined, based on an evaluation of the terms and conditions of the arrangements (i.e., the lease does not transfer ownership of the asset to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable and the lease term is not for the major part of the asset's economic life), that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Bank as lessee

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Extension and termination options

The Bank has several lease contracts that include extension and termination options. The Bank applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors such as leasehold improvements and location that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Estimating the IBR for lease liabilities

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR for lease liabilities is the rate of interest that the Bank 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 Bank estimates the IBR for lease liabilities using observable inputs (by reference to prevailing risk-free rates) adjusted to take into account the entity's credit risk (i.e., credit spread).

The carrying values of the Bank's right-of-use assets and lease liabilities are disclosed in Notes 11, 19 and 25, respectively.



(d) Evaluation of business model in managing financial assets

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

In determining the classification of a financial instrument under PFRS 9, the Bank developed business models which reflect how it manages its portfolio of financial instruments. The Bank's business models need not be assessed at entity level or as a whole but applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Bank) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument). The Bank evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Bank.

In addition, PFRS 9 emphasizes that if more than an infrequent and more than an insignificant sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Bank considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect (HTC) business model if the Bank can explain the reasons for those sales and why those sales do not reflect a change in the Bank's objective for the business model.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of condition date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next period, are described below. The Bank based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Bank. Such changes are reflected in the assumptions when they occur.

(a) Credit losses on financial assets

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Significant factors affecting the estimates on the ECL model include:

- Segmentation of the portfolio, where the appropriate model or ECL approach is used
- The criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment. The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs. In 2022, the Bank redeveloped its ECL models covering the pandemic period data to ensure long-run effectivity of the ECL parameters.
- Determination of associations between macroeconomic scenarios and economic inputs and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models



The ECL model performance is reviewed periodically, and appropriate measures are taken to ensure provisions for credit losses are adequate.

The gross carrying amounts of financial assets subject to ECL as of December 31, 2023 and the related allowance for credit losses are disclosed in Notes 5 and 15, respectively.

(b) Impairment of investment properties and chattel mortgage properties

The Bank assesses impairment on its non-financial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Bank considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Bank recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the fair value less costs to sell for property and equipment, investment properties and chattel mortgage properties. Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs.

The carrying values of the Bank's investment properties and chattel mortgage properties are disclosed in Notes 12 and 14, respectively.

(c) Present value of retirement obligation

The cost of defined benefit pension plans as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each statement of condition date.

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

The details of assumptions used in the actuarial valuation and carrying value of the net pension liability are disclosed in Note 24.

(d) Recognition of deferred tax assets

Deferred tax assets are recognized for all unused tax and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The estimates of future taxable income indicate that certain temporary differences will be realized in the future. The recognized net deferred assets and unrecognized deferred tax assets for the Bank are disclosed in Note 27.



(e) *Contingent liabilities*

The Bank is a defendant in legal actions arising from its normal business activities. Management believes that the ultimate liability, if any, resulting from these cases will not have a material effect on the Bank's financial statements are disclosed in Note 31.

4. Fair Value Measurement

Financial Instruments

The following describes the methodologies and assumptions used to determine the fair values of financial instruments:

Cash and other cash items, due from BSP, due from other banks, interbank loans receivable and SPURA, accounts receivable, accrued interest receivable, bills purchased, RCOI, shortages, and petty cash fund - Carrying amounts approximate fair values due to the relatively short-term maturities of these assets.

Debt investments - Fair values are generally based on quoted market prices. If the market prices are not readily available, fair values are estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using the discounted cash flow methodology, using rates currently available for debt on similar terms, credit risk and remaining maturities.

Equity investments - Fair values are based on quoted prices published in markets.

Receivable from customers, sales contract receivables and security deposits - Fair values are estimated using the discounted cash flow methodology, using the Bank's current lending rates for similar types of loans. The discount rates used range from 3.00% to 41.52% and 4.83% to 36.22% in 2023 and 2022, respectively.

Demand deposits, savings deposits, treasurer's, cashier's and manager's checks, accrued interest payable, accounts payable, bills purchased-contra, other credits, deposits for keys-SDB, payment orders payable and overages - Carrying amounts approximate fair values due to either the demand nature or the relatively short-term maturities of these liabilities.

Bonds payable and time deposits - Fair values are estimated using the discounted cash flow methodology using the Bank's borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued. The discount rates used are the following:

	Discount Rates	
	2023	2022
Bonds payable	4.50%	4.50%
Time deposits	0.25% to 6.25%	0.13% to 6.00%

The inputs used in the fair value measurement based on Level 2 are as follows:

Government securities - interpolated rates based on market rates of benchmark securities as of statement of condition date.



The inputs used in estimating fair values of financial instruments carried at amortized cost and categorized under Level 3 include risk-free rates and applicable risk premium.

Non-financial Assets

Investment properties - Fair values of the investment properties have been determined based on valuations performed by independent external and in-house appraisers using valuation technique with significant inputs that are not based on observable market data (Level 3). The valuation of investment properties was based on the Sales Comparison Approach and considered recent sales of similar or substitute properties in the same areas where the investment properties are located, taking into account the economic conditions prevailing at the time of the valuation. Other factors considered were the location and shape of the properties, environmental issues, development controls such as the height restriction, building coverage and floor area ratio restrictions among others. Other significant unobservable inputs include shape, location, time element, discount and corner influence. The fair value of investment properties is based on its highest and best use, which is its current use.

The following tables summarize the carrying amount and fair values of the Bank's financial instruments and investment properties, analyzed based on the hierarchy described in Note 2 (in thousands):

December 31, 2023					
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets measured at fair value:					
Financial Assets					
FVTPL investments					
HFT - government securities	₱414,298	₱414,298	₱-	₱-	₱414,298
Financial assets at FVOCI					
Government debt securities	52,699,129	50,889,402	1,809,727	-	52,699,129
Private debt securities	1,633,147	1,633,147	-	-	1,633,147
Equity securities	27,418	21,199	6,219	-	27,418
	₱54,773,992	₱52,958,046	₱1,815,946	₱-	₱54,773,992
Assets for which fair values are disclosed:					
Financial Assets					
Investment securities at amortized cost					
Government	₱27,875,963	₱18,767,093	₱8,088,712	₱-	₱26,855,805
Private	2,017,205	1,984,906	-	-	1,984,906
Loans and receivables					
Receivables from customers					
Consumption loans	71,139,977	-	-	81,231,497	81,231,497
Real estate loans	40,214,290	-	-	61,703,987	61,703,987
Commercial loans	6,521,064	-	-	87,431,028	87,431,028
Personal loans	1,629,939	-	-	2,247,444	2,247,444
Sales contract receivable	6,380	-	-	6,764	6,764
Security deposits	198,884	-	-	285,800	285,800
Non-Financial Assets					
Investment properties	3,934,950	-	-	6,617,966	6,617,966
	₱153,538,652	₱20,751,999	₱8,088,712	₱239,524,486	₱268,365,197
Liabilities for which fair values are disclosed:					
Deposit liabilities - time	₱112,749,126	₱-	₱-	₱116,153,413	₱116,153,413
Deposit liabilities - LTNCD	5,084,218	-	-	5,111,755	5,111,755
Bonds payable	-	-	-	-	-
Bills payable	271,896	-	-	310,561	310,561
	₱118,105,240	₱-	₱-	₱121,575,729	₱121,575,729

December 31, 2022					
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets measured at fair value:					
Financial Assets					
FVTPL investments					
HFT - government securities	₱36	₱-	₱36	₱-	₱36
Financial assets at FVOCI					
Government debt securities	68,039,301	67,856,881	182,420	-	68,039,301
Private debt securities	1,600,772	1,600,772	-	-	1,600,772
Equity securities	20,643	17,074	3,569	-	20,643
	₱69,660,752	₱69,474,727	₱186,025	₱-	₱69,660,752

(Forward)



December 31, 2022					
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets for which fair values are disclosed:					
Financial Assets					
Investment securities at amortized cost					
Government	₱27,917,962	₱12,945,470	₱12,937,711	₱–	₱25,883,181
Private	2,504,322	2,424,488	–	–	2,424,488
Loans and receivables					
Receivables from customers					
Consumption loans	57,405,346	–	–	67,601,062	67,601,062
Real estate loans	40,973,925	–	–	65,680,291	65,680,291
Commercial loans	6,211,280	–	–	6,179,603	6,179,603
Personal loans	1,645,314	–	–	2,373,727	2,373,727
Sales contract receivable	10,746	–	–	9,196	9,196
Security deposits	190,888	–	–	264,196	264,196
Non-Financial Assets					
Investment properties	4,031,471	–	–	6,494,927	6,494,927
	₱140,891,254	₱15,369,958	₱12,937,711	₱148,603,002	₱176,910,671
Liabilities for which fair values are disclosed:					
Deposit liabilities - time	₱135,158,982	₱–	₱–	₱137,465,614	₱137,465,614
Deposit liabilities - LTNCD	5,077,603	–	–	5,354,666	5,354,666
Bonds payable	4,648,450	–	–	4,631,342	4,631,342
Bills payable	1,185,945	–	–	1,382,584	1,382,584
	₱146,070,980	₱–	₱–	₱148,834,206	₱148,834,206

When fair values of listed equity and debt securities, as well as publicly traded derivatives at the reporting date are based on quoted market prices or binding dealer price quotations, without any adjustments for transaction costs, the instruments are included within Level 1 of the hierarchy.

For all other financial instruments, fair value is determined using valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist and other revaluation models. Instruments included in Level 3 include those for which there is currently no active market.

As of December 31, 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

As of December 31, 2023 and 2022, the Bank determined the market value of its warrants to be zero due to the absence of an active market for the Bank's ROP warrants, as evidenced by the unavailability of quoted market prices.

5. Financial Risk Management Policies and Objectives

The Bank has exposure to the following risks from its use of financial instruments:

- Credit risk
- Market risk
- Liquidity risk

Organization risk management structure continues to be a top-down organization, with the BOD at the helm of all major initiatives.

Discussed below are the relevant sections on roles and responsibilities from the Risk Oversight Committee (ROC) Charter:

Board of Directors (BOD)

The corporate powers of the Bank are vested in and are exercised by the BOD, who conducts its business and controls its property. The BOD approves broad risk management strategies and policies



and ensures that risk management initiatives and activities are consistent with the Bank's overall objectives. The BOD appoints the members of the ROC.

Risk Oversight Committee (ROC)

The ROC is composed of at least three members of the Board, the majority of whom are independent directors including its Chairperson. The ROC Chairperson is not the Chairperson of the Board or of any other committee. Members of the ROC possess a range of expertise and adequate knowledge of the Bank's risk exposures to be able to develop appropriate strategies for preventing losses and minimizing the impact of losses when they occur.

The BOD may also appoint non-directors to the ROC as part of the Metrobank Group risk oversight measures. However, only Bank directors shall be considered as voting members of the ROC. Non-voting members are appointed in an advisory capacity.

The ROC oversees the system of limits to discretionary authority that the BOD delegates to the management and ensures that the system remains effective, the limits are observed, and that immediate corrective actions are taken whenever limits are breached.

The ROC meets on a monthly basis and is supported by the Risk Management Office (RMO). In the absence of the ROC Chairman, another Independent Director shall preside. ROC resolutions, which require the concurrence of the majority of its voting members, are presented to the BOD for confirmation.

Risk Management Office (RMO)

The RMO, headed by the Chief Risk and Sustainability Officer, is a function that is independent from executive functions and business line responsibilities, operations and revenue-generating functions. It reports directly to the BOD, through the ROC. The RMO assists the ROC in carrying out its responsibilities by:

- analyzing, communicating, implementing, and maintaining the risk management policies approved by the ROC and the BOD;
- spearheading the regular review of the Bank's risk management policy manual and making or elevating recommendations that enhance the risk management process to the ROC and the BOD, for their approval; and
- ensuring that the risks arising from the Bank's activities are identified, measured, analyzed, reported to and understood by risk takers, management, and the board. The RMO analyzes limit exceptions and recommends enhancements to the limits structure.

The RMO does not assume risk-taking accountability nor does it have approving authority. The RMO's role is to act as liaison and to provide support to the BOD, ROC, the President, management committees, risk takers and other support and control functions on risk-related matters.

The Risk Management Function is responsible for:

- identifying the key risk exposures and assessing and measuring the extent of risk exposures of the Bank and its trust operations;
- monitoring the risk exposures and determining the corresponding capital requirement in accordance with the Basel capital adequacy framework and based on the Bank's internal capital adequacy assessment on an on-going basis;



- monitoring and assessing decisions to accept particular risks whether these are consistent with BOD-approved policies on risk tolerance and the effectiveness of the corresponding risk mitigation measures; and
- reporting on a regular basis to Senior Management and the BOD the results of assessment and monitoring.

President

The President is the Chief Executive Officer of the Bank and has the primary responsibility of carrying out the policies and objectives of the BOD. The President exercises the authorities delegated to him by the BOD and may recommend such policies and objectives he deems necessary for the continuing progress of the Bank.

Risk management

The risk management framework aims to maintain a balance between the nature of the Bank's businesses and the risk appetite of the BOD. Accordingly, policies and procedures are reviewed regularly and revised as the organization grows and as financial markets evolve. New policies or proposed changes in current policies are presented to the ROC and the BOD for approval.

a. Credit risk and concentration of assets and liabilities and off-balance sheet items

Credit risk is the risk that a counterparty will not settle its obligations in accordance with the agreed terms.

The Bank's lending business follows credit policy guidelines set by the BOD, ROC and RMO. These policies serve as minimum standards for extending credit. The people engaged in the credit process are required to understand and adhere to these policies.

Product manuals are in place for all loans and deposit products that actually or potentially expose the Bank to all types of risks that may result in financial or reputational losses. They define the product and the risks associated with the product plus the corresponding risk-mitigating controls. They embody the business plans and define the business parameters within which the product or activity is to be performed.

The system of checks around extension of credit includes approval by at least two credit approvers through the Credit Committee (CreCom), Executive Committee (ExCom) or BOD. The ROC reviews the business strategies and ensures that revenue-generating activities are consistent with the risk tolerance and standards of the Bank. The Internal Audit Group conducts regular audit across all functional units. The BOD, through the ExCom, CreCom and ROC, ensure that sound credit policies and practices are followed through all the business segments.

Credit Approval

Credit approval is the documented acceptance of credit risk in the credit proposal or application.

The Bank's credit decision-making for consumer loans utilizes the recommendation of the credit scoring and is performed at the CreCom level appropriate to the size and risk of each transaction, in conformity with corporate policies and procedures in regulating credit risk activities. The Bank's ExCom may approve deviations or exceptions, while the BOD approves material exceptions such as large exposures, loans to directors, officers, stockholders and other related interests (DOSRI) and related party transactions, and loan restructuring.

Credit delegation limits are identified, tracked and reviewed at least annually by the Bank's Head of Credit and Collections together with the Credit Risk Manager.



Borrower Eligibility

The Bank's credit processing commences when a customer expresses his intention to borrow through a credit application. The Bank gathers data on the customer; ensures they are accurate, up-to-date and adequate to meet the minimum regulatory requirements and to render credit decision. These data are used for the intended purpose only and are managed in adherence to the customer information secrecy law.

The customer's credit worthiness, repayment ability and cash flow are established before credit is extended. The Bank independently verifies critical data from the customer, ensuring compliance with Know Your Customer requirements under the anti-money laundering laws. The Bank requires that customer income be derived from legitimate sources and supported with government-accepted statements of income, assets and liabilities.

The Bank ascertains whether the customer is legally capable of entering a credit contract and of providing a charge over any asset presented as collateral for a loan. Guarantors or sureties may be accepted, provided they are a relative, partner, and have financial interest in the transaction, and they pass all credit acceptance criteria applied to the borrower.

Loan Structure

The Bank structures loans for its customers based on the customer's capability to pay, the purpose of the loan, and for a collateralized loan, the collateral's economic life and liquidation value over time.

The Bank establishes debt burden guidelines and minimum income requirements to assess the customer's capacity to pay.

The Bank utilizes credit bureau data, both external and internal, to obtain information on a customer's current commitments and credit history.

The Bank takes into account environmental and social issues when reviewing credit proposals of small businesses and commercial mortgage customers. The Bank ensures that all qualified securities pass through the BOD for approval. Assignments of securities are confirmed and insurance are properly secured.

The Bank uses credit scoring models and decision systems for consumer loans as approved by the BOD. Borrower risk rating model and facility risk rating model, on the other hand, are available for SME loans, and supported with qualitative evaluation. Regular monitoring of all these tools and their performance is carried out to ensure that they remain effective.

Initial loan limits are recommended by the CreCom and ExCom and approved by the BOD. The Bank ensures that secured loans are within ceilings set by local regulators. Succeeding loan availments are based on account performance and customer's credit worthiness.

Credit Management

The Bank maintains credit records and documents on all borrowings and captures transaction details in its loan systems. The credit risk policies and system infrastructure ensure that loans are monitored and managed at all times.

The Bank's Management Information System provides statistics that its business units need to identify opportunities for improving rewards without necessarily sacrificing risk. Statistical data on product, productivity, portfolio, profitability, performance and projection are made available regularly.



The Bank conducts regular loan review through the ROC, with the support of the RMO. The Bank examines its exposures, credit risk ratios, provisions and customer segments. The Bank's unique customer identification and unique group identification methodology enables it to aggregate credit exposures by customer or group of borrowers. Aggregate exposures of at least ₱100.0 million are put on a special monitoring.

The ROC assesses the adequacy of provisions for credit losses regularly. The Bank's automated loan grading system enables the Bank to set up provision per account. The Bank also performs impairment analyses on loans and receivables, whether on an individual or collective basis, in accordance with PFRS 9.

The Bank carries out stress testing analyses using Board-approved statistical models relating the default trends to macroeconomic indicators.

In February 2022, Russia launched a full-scale invasion of Ukraine. The United Nations reacted imposing sanctions to Russia. This caused a major disruption in the value chain and kicked start a significant rise in inflation in the year. The war dragged-on much longer than anticipated. This prompted the US Treasury to increase its interest rates to combat rising inflation. The Philippine economic outlook was unclear as the government now has to manage a careful balancing act of increasing interest rates to dampen the velocity of inflation and combat the weakening peso without hurting the economy. Despite these troubling signals globally, the Bank's asset quality improved compared to 2021 due to the Bank's portfolio management initiatives. Provisioning models for the bank's consumer loan portfolio were adjusted to account for economic uncertainty. To optimize the Bank's credit taking activities, the consumer credit scoring models for Mortgage and Personal loans were redeveloped. These are expected to increase the Bank's loan portfolio without increasing the Bank's risk profile.

In 2023, the Philippine economy exhibited resilience and growth despite global challenges. Steady expansion in GDP was observed but inflation and external uncertainties persisted necessitating government's careful economic management. The Bank reviewed and recalibrated its expected credit loss models to ensure the sufficiency of its calculated provisions and appropriateness of the models in light of the changing economic landscape.

Maximum Exposure to Credit Risk

The tables below show the analysis of the maximum exposure to credit risk of the Bank's financial instruments, excluding those where the carrying values as reflected in the statement of condition and related notes already represent the financial instrument's maximum exposure to credit risk, after taking into account collateral held or other credit enhancements (in thousands):

	2023			
	Carrying Amount	Fair Value of Collateral	Maximum Exposure to Credit Risk	Financial Effect of Collateral or Credit Enhancement
Due from other banks	₱1,764,230	₱3,258,145	₱469,833	₱1,294,397
Receivables from customers				
Consumption loans	71,139,977	83,233,369	1,339,115	69,800,862
Real estate loans	40,214,290	65,152,648	9,945,343	30,268,947
Commercial loans	6,521,064	10,749,329	3,482,338	3,038,726
Other receivables				
Accrued interest receivable	2,326,463	1,022,105	1,304,460	1,022,003
Sales contract receivable	6,380	20,340	180	6,200
Total credit exposure	₱121,972,404	₱163,435,936	₱16,541,269	₱105,431,135



2022				
	Carrying Amount	Fair Value of Collateral	Maximum Exposure to Credit Risk	Financial Effect of Collateral or Credit Enhancement
Due from other banks	₱2,910	₱3,126	₱1,333	₱1,577
Receivables from customers				
Consumption loans	57,405,346	67,970,467	2,231,688	55,173,658
Real estate loans	40,973,925	66,866,090	9,942,017	31,031,908
Commercial loans	6,211,280	7,379,602	4,447,266	1,764,014
Other receivables				
Accrued interest receivable	2,548,212	763,890	1,784,322	763,890
Sales contract receivable	10,746	30,945	373	10,373
Total credit exposure	₱107,152,419	₱143,014,120	₱18,406,999	₱88,745,420

An analysis of the maximum credit risk exposure relating to financial assets under Stage 3 as of December 31, 2023 and 2022 is shown below:

2023				
	Carrying Amount	Fair Value of Collateral	Maximum Exposure to Credit Risk	Financial Effect of Collateral or Credit Enhancement
Receivables from customers				
Consumption loans	₱1,298,961	₱1,972,796	₱73,741	₱1,225,220
Real estate loans	1,106,037	1,693,222	349,437	756,600
Commercial loans	119,247	546,727	10,226	109,021
Other receivables				
Accrued interest receivable	99,606	63,094	36,512	63,094
Sales contract receivable	5,756	12,243	–	5,756
Total credit exposure	₱2,629,607	₱4,288,082	₱469,916	₱2,159,691

2022				
	Carrying Amount	Fair Value of Collateral	Maximum Exposure to Credit Risk	Financial Effect of Collateral or Credit Enhancement
Receivables from customers				
Consumption loans	₱972,919	₱1,345,019	₱102,326	₱870,593
Real estate loans	1,215,207	2,021,570	373,439	841,768
Commercial loans	175,718	435,799	110,434	65,284
Other receivables				
Accrued interest receivable	87,668	35,440	52,228	35,440
Sales contract receivable	8,081	16,556	–	8,081
Total credit exposure	₱2,459,593	₱3,854,384	₱638,427	₱1,821,166

Collateral and Other Credit Enhancements

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

The main types of collaterals obtained are as follows:

- For Due from other banks: investment securities
- For SPURA: investment securities
- For commercial lending: mortgages over real estate properties, deposit accounts and securities
- For consumer lending: mortgages over real estate and chattel

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for credit and impairment losses.



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

The Bank holds collateral against loans and receivables in the form of real estate and chattel mortgages, guarantees, and other registered securities over assets. Estimates of fair value are based on the value of the collateral assessed at the time of borrowing and generally are updated every two years and when a loan is assessed to be impaired, whenever applicable. The Bank is not allowed to sell or re-pledge collateral held under SPURA in the absence of default by the counterparty. Collateral is usually not held against holdings in investment securities, and no such collateral was held as of December 31, 2023 and 2022.

Concentration of risk is managed by borrower, by group of borrowers, by geographical region and by industry sector. As of December 31, 2023 and 2022, the maximum credit exposure to any borrower, before taking into account any collateral or other credit enhancement amounted to ₱1.0 billion.

The distribution of the Bank's financial assets before taking into account any collateral held or other credit enhancements can be analyzed by the following geographical regions (in thousands):

	2023				
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Others***	Total
Luzon	₱107,777,116	₱18,500,708	₱84,681,046	₱254,841	₱211,213,711
Visayas	10,675,617	—	—	—	10,675,617
Mindanao	10,475,215	—	—	—	10,475,215
	128,927,948	18,500,708	84,681,046	254,841	232,364,543
Less allowance for credit losses	6,163,536	1,209	13,886	—	6,178,631
Total	₱122,764,412	₱18,499,499	₱84,667,160	₱254,841	₱226,185,912

* Composed of due from BSP and due from other banks, interbank loans receivable and SPURA

** Composed of FVTPL investments, financial assets at FVOCI (excluding equity securities not exposed to credit risk) and investment securities at amortized cost

*** Composed of financial assets classified under other assets (such as RCOCI, security deposits, other investments, and shortages) and stand-by credit lines amounting to ₱41.1 million

	2022				
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Others***	Total
Luzon	₱98,102,943	₱43,148,016	₱100,101,609	₱325,350	₱241,677,918
Visayas	8,264,719	—	—	—	8,264,719
Mindanao	9,109,783	—	—	—	9,109,783
	115,477,445	43,148,016	100,101,609	325,350	259,052,420
Less allowance for credit losses	5,780,140	14,671	18,573	—	5,813,384
Total	₱109,697,305	₱43,133,345	₱100,083,036	₱325,350	₱253,239,036

* Composed of due from BSP and due from other banks, interbank loans receivable and SPURA

** Composed of FVTPL investments, financial assets at FVOCI (excluding equity securities not exposed to credit risk) and investment securities at amortized cost

*** Composed of financial assets classified under other assets (such as RCOCI, security deposits, other investments, and shortages) and stand-by credit lines amounting to ₱122.0 million

Additionally, the tables below show the distribution of the Bank's financial assets and off-balance sheet items before taking into account any collateral or other credit enhancements analyzed by industry sector as of December 31, 2023, and 2022 (in thousands):

	2023				
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Others***	Total
Financial and insurance activities	₱2,037,250	₱18,500,708	₱84,681,046	₱213,741	₱105,432,745
Activities of private households as employers and undifferentiated goods and services and producing activities of households for own use	77,672,482	—	—	—	77,672,482
Real estate activities	37,060,347	—	—	—	37,060,347
Wholesale and retail trade; repair of motor vehicles and motorcycles	2,364,545	—	—	—	2,364,545
Electricity, gas, steam and air-conditioning supply	1,034,433	—	—	—	1,034,433

(Forward)



2023					
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Others***	Total
Transportation and storage	₱918,610	₱—	₱—	₱—	₱918,610
Construction	611,870	—	—	41,100	652,970
Manufacturing	569,671	—	—	—	569,671
Administrative and support service activities	316,974	—	—	—	316,974
Accommodation and food service activities	196,318	—	—	—	196,318
Professional, scientific and technical services	151,628	—	—	—	151,628
Education	131,299	—	—	—	131,299
Human health and social work activities	93,008	—	—	—	93,008
Information and communication	96,509	—	—	—	96,509
Arts, entertainment and recreation	79,617	—	—	—	79,617
Agricultural, forestry and fishing	76,654	—	—	—	76,654
Water supply, sewage, waste management and remediation activities	66,064	—	—	—	66,064
Mining and quarrying	5,725	—	—	—	5,725
Other service activities	5,444,944	—	—	—	5,444,944
	128,927,948	18,500,708	84,681,046	254,841	232,364,543
Less allowance for credit losses	6,163,536	1,209	13,886	—	6,178,631
Total	₱122,764,412	₱18,499,499	₱84,667,160	₱254,841	₱226,185,912

* Composed of due from BSP and due from other banks, interbank loans receivable and SPURA

** Composed of FVTPL investments, financial assets at FVOCI (excluding equity securities not exposed to credit risk) and investment securities at amortized cost

*** Composed of financial assets classified under other assets (such as RCOI, security deposits and shortages) and stand-by credit lines amounting to ₱41.1 million

2022					
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Others***	Total
Financial and insurance activities	₱1,812,133	₱43,148,016	₱100,101,609	₱203,350	₱145,265,108
Activities of private households as employers and undifferentiated goods and services and producing activities of households for own use	65,158,520	—	—	—	65,158,520
Real estate activities	37,931,267	—	—	—	37,931,267
Wholesale and retail trade; repair of motor vehicles and motorcycles	2,040,122	—	—	—	2,040,122
Electricity, gas, steam and air-conditioning supply	1,363,927	—	—	—	1,363,927
Transportation and storage	926,381	—	—	—	926,381
Construction	616,325	—	—	122,000	738,325
Manufacturing	573,213	—	—	—	573,213
Administrative and support service activities	333,497	—	—	—	333,497
Accommodation and food service activities	191,686	—	—	—	191,686
Professional, scientific and technical services	133,147	—	—	—	133,147
Education	119,977	—	—	—	119,977
Human health and social work activities	115,274	—	—	—	115,274
Information and communication	76,092	—	—	—	76,092
Arts, entertainment and recreation	73,371	—	—	—	73,371
Agricultural, forestry and fishing	71,649	—	—	—	71,649
Water supply, sewage, waste management and remediation activities	44,661	—	—	—	44,661
Mining and quarrying	4,779	—	—	—	4,779
Other service activities	3,891,424	—	—	—	3,891,424
	115,477,445	43,148,016	100,101,609	325,350	259,052,420
Less allowance for credit losses	5,780,140	14,671	18,573	—	5,813,384
Total	₱109,697,305	₱43,133,345	₱100,083,036	₱325,350	₱253,239,036

* Composed of due from BSP and due from other banks, interbank loans receivable and SPURA

** Composed of FVTPL investments, financial assets at FVOCI (excluding equity securities not exposed to credit risk) and investment securities at amortized cost

*** Composed of financial assets classified under other assets (such as RCOI, security deposits and shortages) and stand-by credit lines amounting to ₱122.0 million

Credit Quality

The Bank uses the standard below in defining credit quality.

High Grade exposures show low levels of expected loss. For loans, these accounts should neither be past due nor impaired. The Bank classifies those accounts under current or 1 to 30 days past due status and are not impaired (Stage 1 & 2).

Standard Grade exposures show moderate levels of expected loss. For loans, these accounts should neither be past due nor impaired.

Sub Standard Grade requires a special degree of attention given the increased risk of default. For loans, these accounts should neither be past due nor impaired.



Past Due but Not Credit Impaired are applicable to loan accounts which are classified as delinquent (31-90 days past due) but are not subject to impairment (Stage 2) as of statement of condition date.

Past Due and Credit Impaired. These include loan accounts considered to be delinquent (91+ days past due), non-performing as defined by BSP Circular No. 941.

Description of the internal credit rating system for loans, receivables and stand-by credit lines:

Internal Credit Rating System (ICRS)

The Bank rates accounts on a scale of 1 to 10, with 1 being the best, based on the Board-approved credit ratings which utilize the expected credit loss and qualitative assessments. ICRS rating assessment considers both borrower and facility features.

High Grade (ICRS Rating 1 - 4)

1 - Excellent

An excellent rating is given to a borrower with a very low probability of going into default and/or low loss given default. The Bank's internal rating system has given an outstanding rating to the borrower, indicative of excellent ability to meet credit obligation in full and consistently meet payment commitments. Accounts with excellent rating may have collateral, further diminishing any losses in case of a default.

2 - Strong

This rating is given to borrowers with low probability of going into default in the coming year with low to moderate loss given default. The Bank's internal rating system has given a high rating to the borrower. The borrower has the ability to meet credit obligation in full, except that the borrower may have a history of missing a payment.

3 - Good

This rating is given to borrowers with low to moderate probability of going into default in the coming year with moderate loss given default. These are largely characterized by borrowers with good rating and have historically missed several payments.

4 - Satisfactory

A 'satisfactory' rating is given to a borrower where clear risk elements exist and probability of default is somewhat greater with moderate to high loss given default. These are characterized by borrowers with good rating with a history of default.

Standard Grade (ICRS Rating 5)

5 - Acceptable

An 'acceptable' rating is given to a borrower whose risk elements are sufficiently pronounced although borrower should still be expected to meet their credit obligations in full. These are characterized by borrowers with moderate rating.

Substandard Grade (ICRS Rating 6-8)

6 or 7 - Loan Especially Mentioned

An account assessed to have potential weaknesses which when left uncorrected, may affect the repayment of the account and thus increase credit risk to the Bank, will be assigned this rating.

8 - Substandard

These accounts or portion thereof involves a substantial and an unreasonable degree of risk to the Bank because of unfavorable record or unsatisfactory characteristics. These accounts show possibility of future loss to the Bank unless given closer supervision and well-defined weaknesses that jeopardize the account liquidation.



Past Due but Not Credit Impaired

Otherwise known as under-performing loans, these accounts are characterized as showing signs of deterioration. These include loans that are delinquent by 31-90 days and are not subject to impairment (Stage 2) regardless of ICRS rating.

Past Due and Credit Impaired

Otherwise known as non-performing loans, these accounts are already impaired. These include accounts under Stage 3 ECL, delinquent by 91+ days and considered non-performing as defined by BSP Circular No. 941 regardless of ICRS rating. The following credit ratings will always be classified as credit impaired:

9 - Doubtful

Given to an account assessed to have characteristics where collection and liquidation in full is highly improbable and in which substantial loss is probable.

10 - Loss

Given to an account assessed to loans or portions thereof are considered uncollectible or worthless and of such little value that their continuance as bankable assets are not warranted.

The credit quality of receivables from customers, gross of allowance for credit losses, as of December 31, 2023 and 2022 follows (in thousands):

	2023						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Consumption Loans:							
High Grade	₹—	₹64,577,623	₹—	₹—	₹—	₹—	₹64,577,623
Standard Grade	—	2,288,492	—	—	—	—	2,288,492
Sub-standard Grade	—	—	—	2,220,334	—	—	2,220,334
Past Due but Not Impaired	—	—	—	3,382,343	—	—	3,382,343
Non-performing Individually Impaired	—	—	—	—	2,588,654	—	2,588,654
	—	66,866,115	—	5,602,677	2,588,654	—	75,057,446
Real Estate Loans:							
High Grade	—	21,175,066	—	13,471,061	—	—	34,646,127
Standard Grade	—	—	—	—	—	—	—
Sub-standard Grade	—	—	—	3,961,224	—	—	3,961,224
Past Due but Not Impaired	—	—	—	1,268,311	—	—	1,268,311
Non-performing Individually Impaired	—	—	—	—	1,301,558	—	1,301,558
	—	21,175,066	—	18,700,596	1,301,558	—	41,177,220
Commercial Loans:							
High Grade	—	6,097,560	—	—	—	—	6,097,560
Standard Grade	—	151,542	—	—	—	—	151,542
Sub-standard Grade	—	—	—	58,169	—	—	58,169
Past Due but Not Impaired	—	—	—	137,882	—	—	137,882
Non-performing Individually Impaired	—	—	—	—	304,086	—	304,086
	—	6,249,102	—	196,051	304,086	—	6,749,239
Personal Loans:							
High Grade	—	937,607	—	—	—	—	937,607
Standard Grade	—	—	—	—	—	—	—
Sub-standard Grade	—	—	—	790,383	—	—	790,383
Past Due but Not Impaired	—	—	—	176,386	—	—	176,386
Non-performing Individually Impaired	—	—	—	—	198,723	—	198,723
	—	937,607	—	966,769	198,723	—	2,103,099
Total Receivables from Customer:							
High Grade	—	92,787,856	—	13,471,061	—	—	106,258,917
Standard Grade	—	2,440,034	—	—	—	—	2,440,034
Sub-standard Grade	—	—	—	7,030,110	—	—	7,030,110
Past Due but Not Impaired	—	—	—	4,964,922	—	—	4,964,922
Non-performing Individually Impaired	—	—	—	—	4,393,021	—	4,393,021
	₹—	₹95,227,890	—	₹25,466,093	₹4,393,021	—	₹125,087,004



	2022						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
Consumption Loans:							
High Grade	P-	P52,004,129	P-	P-	P-	P-	P52,004,129
Standard Grade	-	1,113,067	-	-	-	-	1,113,067
Sub-standard Grade	-	-	-	3,536,376	-	-	3,536,376
Past Due but Not Impaired	-	-	-	2,055,207	-	-	2,055,207
Non-performing Individually Impaired	-	-	-	-	1,911,793	-	1,911,793
	-	53,117,196	-	5,591,583	1,911,793	-	60,620,572
Real Estate Loans:							
High Grade	-	22,511,454	-	12,299,289	-	-	34,810,743
Standard Grade	-	-	-	-	-	-	-
Sub-standard Grade	-	-	-	4,477,362	-	-	4,477,362
Past Due but Not Impaired	-	-	-	1,265,122	-	-	1,265,122
Non-performing Individually Impaired	-	-	-	-	1,527,167	-	1,527,167
	-	22,511,454	-	18,041,773	1,527,167	-	42,080,394
Commercial Loans:							
High Grade	-	5,502,455	-	-	-	-	5,502,455
Standard Grade	-	56,913	-	-	-	-	56,913
Sub-standard Grade	-	118,130	-	403,688	-	-	521,818
Past Due but Not Impaired	-	-	-	45,454	-	-	45,454
Non-performing Individually Impaired	-	-	-	-	352,472	-	352,472
	-	5,677,498	-	449,142	352,472	-	6,479,112
Personal Loans:							
High Grade	-	950,393	-	-	-	-	950,393
Standard Grade	-	4,085	-	-	-	-	4,085
Sub-standard Grade	-	-	-	990,700	-	-	990,700
Past Due but Not Impaired	-	-	-	31,948	-	-	31,948
Non-performing Individually Impaired	-	-	-	-	246,014	-	246,014
	-	954,478	-	1,022,648	246,014	-	2,223,140
Total Receivables from Customer:							
High Grade	-	80,968,431	-	12,299,289	-	-	93,267,720
Standard Grade	-	1,174,065	-	-	-	-	1,174,065
Sub-standard Grade	-	118,130	-	9,408,126	-	-	9,526,256
Past Due but Not Impaired	-	-	-	3,397,731	-	-	3,397,731
Non-performing Individually Impaired	-	-	-	-	4,037,446	-	4,037,446
	P-	P 82,260,626	P-	P 25,105,146	P 4,037,446	P-	P111,403,218

The credit quality of other receivables, gross of allowance for credit losses, as of December 31, 2023 and 2022 follows (in thousands):

	2023						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
Accrued Interest Receivable:							
High Grade	P–	¥1,722,201	P–	¥179,891	P–	P–	¥1,902,092
Standard Grade	–	26,351	–	–	–	–	26,351
Sub-standard Grade	–	577	–	225,240	–	–	225,817
Past Due but Not Impaired	–	–	–	106,696	–	–	106,696
Non-performing Individually Impaired	–	–	–	–	137,734	–	137,734
	–	1,749,129	–	511,827	137,734	–	2,398,690
Accounts Receivable:							
High Grade	–	875,732	–	2,139	–	–	877,871
Standard Grade	–	542	–	–	–	–	542
Sub-standard Grade	–	40	–	7,548	–	–	7,588
Past Due but Not Impaired	–	–	–	21,402	–	–	21,402
Non-performing Individually Impaired	–	–	–	–	485,657	–	485,657
	–	876,314	–	31,089	485,657	–	1,393,060
Sales Contract Receivable:							
High Grade	–	421	–	–	–	–	421
Standard Grade	–	–	–	–	–	–	–
Sub-standard Grade	–	–	–	–	–	–	–
Past Due but Not Impaired	–	–	–	228	–	–	228
Non-performing Individually Impaired	–	–	–	–	6,302	–	6302
	–	421	–	228	6302	–	6,951

(Forward)



	2023						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
Total Other Receivables:							
High Grade	P–	P2,598,354	P–	P182,030	P–	P–	P2,780,384
Standard Grade	–	26,893	–	–	–	–	26,893
Sub-standard Grade	–	617	–	232,788	–	–	233,405
Past Due but Not Impaired	–	–	–	128,326	–	–	128,326
Non-performing Individually Impaired	–	–	–	–	629,693	–	629,693
	P–	P2,625,864	P–	P543,144	P629,693	P–	P3,798,701
	2022						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
Accrued Interest Receivable:							
High Grade	P–	P1,908,728	P–	P171,998	P–	P–	P2,080,726
Standard Grade	–	9,463	–	–	–	–	9,463
Sub-standard Grade	–	353	–	271,126	–	–	271,479
Past Due but Not Impaired	–	–	–	135,885	–	–	135,885
Non-performing Individually Impaired	–	–	–	–	113,402	–	113,402
	–	1,918,544	–	579,009	113,402	–	2,610,955
Accounts Receivable:							
High Grade	–	925,416	–	3,088	–	–	928,504
Standard Grade	–	–	–	–	–	–	–
Sub-standard Grade	–	–	–	17,479	–	–	17,479
Past Due but Not Impaired	–	–	–	14,458	–	–	14,458
Non-performing Individually Impaired	–	–	–	–	491,902	–	491,902
	–	925,416	–	35,025	491,902	–	1,452,343
Sales Contract Receivable:							
High Grade	–	2,078	–	–	–	–	2,078
Standard Grade	–	–	–	–	–	–	–
Sub-standard Grade	–	–	–	600	–	–	600
Past Due but Not Impaired	–	–	–	–	–	–	–
Non-performing Individually Impaired	–	–	–	–	8,251	–	8,251
	–	2,078	–	600	8,251	–	10,929
Total Other Receivables:							
High Grade	–	2,836,222	–	175,086	–	–	3,011,308
Standard Grade	–	9,463	–	–	–	–	9,463
Sub-standard Grade	–	353	–	289,205	–	–	289,558
Past Due but Not Impaired	–	–	–	150,343	–	–	150,343
Non-performing Individually Impaired	–	–	–	–	613,555	–	613,555
	P–	P2,846,038	P–	P614,634	P613,555	P–	P4,074,227

The credit quality of other financial assets which include RCOCI, security deposits, other investments, shortages and liquidity requirement for electronic money products, gross of allowance for credit losses amounting as of December 31, 2023 and 2022 follows (in thousands):

	2023						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Other Financial Assets							
High Grade	P=	P=	P=	P=	P=	P=	P=
Standard Grade	–	401,014	–	–	–	–	401,014
Sub-standard Grade	–	–	–	–	–	–	–
Past Due but Not Impaired	–	–	–	–	–	–	–
Non-performing Individually Impaired	–	–	–	–	–	–	–
Total	P=	P401,014	P=	P=	P=	P=	P401,014

	2022						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Other Financial Assets							
High Grade	P=	P=	P=	P=	P=	P=	P=
Standard Grade	–	203,350	–	–	–	–	203,350
Sub-standard Grade	–	–	–	–	–	–	–
Past Due but Not Impaired	–	–	–	–	–	–	–
Non-performing Individually Impaired	–	–	–	–	–	–	–
Total	P=	P203,350	P=	P=	P=	P=	P203,350



Movements of receivables from customers as of December 31, 2023 and 2022 follow (in thousands):

	2023						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
Consumption Loans							
Balance as of January 1, 2023	₱–	₱53,117,195	₱–	₱5,591,582	₱1,911,795	₱–	₱60,620,572
New assets originated	–	34,955,414	–	953,344	583,117	–	36,491,875
Assets derecognized or repaid	–	(16,062,677)	–	(4,635,542)	(1,211,126)	–	(21,909,345)
Amounts written off	–	–	–	–	(145,656)	–	(145,656)
Transfers to Stage 1	–	973,758	–	(910,822)	(62,936)	–	–
Transfers to Stage 2	–	(5,152,053)	–	5,262,979	(110,926)	–	–
Transfers to Stage 3	–	(965,522)	–	(658,864)	1,624,386	–	–
Balance at December 31, 2023	–	66,866,115	–	5,602,677	2,588,654	–	75,057,446
Real Estate Loans							
Balance as of January 1, 2023	–	22,511,455	–	18,041,774	1,527,166	–	42,080,395
New assets originated	–	5,668,433	–	7,817	7,207	–	5,683,457
Assets derecognized or repaid	–	(2,147,692)	–	(4,087,457)	(351,483)	–	(6,586,632)
Amounts written off	–	–	–	–	–	–	–
Transfers to Stage 1	–	2,173,204	–	(2,138,138)	(35,066)	–	–
Transfers to Stage 2	–	(6,888,088)	–	7,310,114	(422,026)	–	–
Transfers to Stage 3	–	(142,246)	–	(433,514)	575,760	–	–
Balance at December 31, 2023	–	21,175,066	–	18,700,596	1,301,558	–	41,177,220
Commercial Loans							
Balance as of January 1, 2023	–	5,677,497	–	449,143	352,471	–	6,479,111
New assets originated	–	2,086,517	–	3,249	-	–	2,089,766
Assets derecognized or repaid	–	(1,611,342)	–	(142,344)	(65,952)	–	(1,819,638)
Amounts written off	–	–	–	–	–	–	–
Transfers to Stage 1	–	155,309	–	(154,641)	(668)	–	–
Transfers to Stage 2	–	(50,226)	–	52,035	(1,809)	–	–
Transfers to Stage 3	–	(8,653)	–	(11,391)	20,044	–	–
Balance at December 31, 2023	–	6,249,102	–	196,051	304,086	–	6,749,239
Personal Loans							
Balance as of January 1, 2023	–	954,478	–	1,022,648	246,014	–	2,223,140
New assets originated	–	708,013	–	219,526	3,478	–	931,017
Assets derecognized or repaid	–	(808,151)	–	(105,493)	(25,131)	–	(938,775)
Amounts written off	–	-	–	-	(112,283)	–	(112,283)
Transfers to Stage 1	–	161,624	–	(161,494)	(130)	–	–
Transfers to Stage 2	–	(63,460)	–	63,807	(347)	–	–
Transfers to Stage 3	–	(14,897)	–	(72,225)	87,122	–	–
Balance at December 31, 2023	–	937,607	–	966,769	198,723	–	2,103,099
Total Receivable from Customer							
Balance at January 1, 2023	–	82,260,625	–	25,105,147	4,037,446	–	111,403,218
New assets originated	–	43,418,377	–	1,183,936	593,802	–	45,196,115
Assets derecognized or repaid	–	(20,629,862)	–	(8,970,836)	(1,653,692)	–	(31,254,390)
Amounts written off	–	–	–	–	(257,939)	–	(257,939)
Transfers to Stage 1	–	3,463,895	–	(3,365,095)	(98,800)	–	–
Transfers to Stage 2	–	(12,153,827)	–	12,688,935	(535,108)	–	–
Transfers to Stage 3	–	(1,131,318)	–	(1,175,994)	2,307,312	–	–
Balance at December 31, 2023	₱–	₱95,227,890	₱–	₱25,466,093	₱4,393,021	₱–	₱125,087,000

	2022						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
Consumption Loans							
Balance as of January 1, 2022	₱—	₱43,130,181	₱—	₱11,417,686	₱3,262,487	₱—	₱57,810,354
New assets originated	—	27,083,374	—	472,701	186,914	—	27,742,989
Assets derecognized or repaid	—	(15,811,154)	—	(6,634,250)	(1,870,417)	—	(24,315,821)
Amounts written off	—	—	—	—	(616,950)	—	(616,950)
Transfers to Stage 1	—	3,331,983	—	(3,151,032)	(180,951)	—	—
Transfers to Stage 2	—	(4,143,655)	—	4,414,207	(270,552)	—	—
Transfers to Stage 3	—	(473,534)	—	(927,730)	1,401,264	—	—
Balance at December 31, 2022	—	53,117,195	—	5,591,582	1,911,795	—	60,620,572
Real Estate Loans							
Balance as of January 1, 2022	—	36,414,701	—	6,305,856	2,557,387	—	45,277,944
New assets originated	—	4,294,167	—	125,086	—	—	4,419,253
Assets derecognized or repaid	—	(3,311,981)	—	(3,309,985)	(994,836)	—	(7,616,802)
Amounts written off	—	—	—	—	—	—	—
Transfers to Stage 1	—	1,078,394	—	(1,013,043)	(65,351)	—	—
Transfers to Stage 2	—	(15,740,149)	—	16,453,032	(712,883)	—	—
Transfers to Stage 3	—	(223,677)	—	(519,172)	742,849	—	—
Balance at December 31, 2022	—	22,511,455	—	18,041,774	1,527,166	—	42,080,395
Commercial Loans							
Balance as of January 1, 2022	—	6,075,829	—	682,250	627,010	—	7,385,089
New assets originated	—	1,072,066	—	7,000	—	—	1,079,066
Assets derecognized or repaid	—	(1,644,214)	—	(177,750)	(163,080)	—	(1,985,044)

(Forward)



	2022						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Amounts written off	P-	P-	P-	P-	P-	P-	P-
Transfers to Stage 1	-	277,106	-	(251,981)	(25,125)	-	-
Transfers to Stage 2	-	(98,075)	-	209,194	(111,119)	-	-
Transfers to Stage 3	-	(5,215)	-	(19,570)	24,785	-	-
Balance at December 31, 2022	-	5,677,497	-	449,143	352,471	-	6,479,111
Personal Loans							
Balance as of January 1, 2022	-	620,482	-	1,457,899	682,973	-	2,761,354
New assets originated	-	496,951	-	158,270	13,963	-	669,184
Assets derecognized or repaid	-	(499,438)	-	(169,281)	(87,985)	-	(756,704)
Amounts written off	-	-	-	-	(450,694)	-	(450,694)
Transfers to Stage 1	-	387,595	-	(386,679)	(916)	-	-
Transfers to Stage 2	-	(49,012)	-	53,205	(4,193)	-	-
Transfers to Stage 3	-	(2,100)	-	(90,766)	92,866	-	-
Balance at December 31, 2022	-	954,478	-	1,022,648	246,014	-	2,223,140
Total Receivable from Customer							
Balance at January 1, 2022	-	86,241,193	-	19,863,691	7,129,858	-	113,234,742
New assets originated	-	32,946,558	-	763,056	200,877	-	33,910,491
Assets derecognized or repaid	-	(21,266,787)	-	(10,291,266)	(3,116,318)	-	(34,674,371)
Amounts written off	-	-	-	-	(1,067,644)	-	(1,067,644)
Transfers to Stage 1	-	5,075,078	-	(4,802,735)	(272,343)	-	-
Transfers to Stage 2	-	(20,030,891)	-	21,129,638	(1,098,747)	-	-
Transfers to Stage 3	-	(704,526)	-	(1,557,237)	2,261,763	-	-
Balance at December 31, 2022	P-	P82,260,625	P-	P25,105,147	P4,037,446	P-	P111,403,218

Movements of other receivables as of December 31, 2023 and 2022 follow (in thousands):

	2023						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Accrued Interest Receivable							
Balance as of January 1, 2023	₱–	₱1,918,545	₱–	₱579,008	₱113,402	₱–	₱2,610,955
New assets originated	–	319,435	–	30,057	39,590	–	389,082
Assets derecognized or repaid	–	(341,725)	–	(191,930)	(67,692)	–	(601,347)
Amounts written off	–	–	–	–	–	–	–
Transfers to Stage 1	–	70,955	–	(67,631)	(3,324)	–	–
Transfers to Stage 2	–	(196,578)	–	206,878	(10,300)	–	–
Transfers to Stage 3	–	(21,503)	–	(44,555)	66,058	–	–
Balance at December 31, 2023	–	1,749,129	–	511,827	137,734	–	2,398,690
Sales Contract Receivable							
Balance at January 1, 2023	–	2,077	–	600	8,252	–	10,929
New assets originated	–	–	–	–	–	–	–
Assets derecognized or repaid	–	(1,664)	–	(513)	(1,801)	–	(3,978)
Amounts written off	–	–	–	–	–	–	–
Transfers to Stage 1	–	299	–	(299)	–	–	–
Transfers to Stage 2	–	(291)	–	440	(149)	–	–
Transfers to Stage 3	–	–	–	–	–	–	–
Balance at December 31, 2023	–	421	–	228	6,302	–	6,951
Total Other Receivables							
Balance at January 1, 2023	–	1,920,622	–	579,608	121,654	–	2,621,884
New assets originated	–	319,435	–	30,057	39,590	–	389,082
Assets derecognized or repaid	–	(343,389)	–	(192,443)	(69,493)	–	(605,325)
Amounts written off	–	–	–	–	–	–	–
Transfers to Stage 1	–	71,254	–	(67,930)	(3,324)	–	–
Transfers to Stage 2	–	(196,869)	–	207,318	(10,449)	–	–
Transfers to Stage 3	–	(21,503)	–	(44,555)	66,058	–	–
Balance at December 31, 2023	₱–	₱1,749,550	₱–	₱512,055	₱144,036	₱–	₱2,405,641

	2022						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
Accrued Interest Receivable							
Balance as of January 1, 2022	P–	P2,064,357	P–	P676,175	P874,680	P–	P3,615,212
New assets originated	–	231,352	–	15,292	6,159	–	252,803
Assets derecognized or repaid	–	(210,931)	–	(241,001)	(805,128)	–	(1,257,060)
Amounts written off	–	–	–	–	–	–	–
Transfers to Stage 1	–	161,815	–	(153,923)	(7,892)	–	–
Transfers to Stage 2	–	(310,293)	–	333,844	(23,551)	–	–
Transfers to Stage 3	–	(17,755)	–	(51,379)	69,134	–	–
Balance at December 31, 2022	–	1,918,545	–	579,008	113,402	–	2,610,955
Sales Contract Receivable							
Balance at January 1, 2022	–	3,263	–	3,912	10,424	–	17,599
New assets originated	–	–	–	–	–	–	–

(Forward)



	2022						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Assets derecognized or repaid	P=	(P2,528)	P=	(P3,942)	(P200)	P=	(P6,670)
Amounts written off	—	—	—	—	—	—	—
Transfers to Stage 1	—	1,425	—	—	(1,425)	—	—
Transfers to Stage 2	—	(83)	—	630	(547)	—	—
Transfers to Stage 3	—	—	—	—	—	—	—
Balance at December 31, 2022	—	2,077	—	600	8,252	—	10,929
Total Other Receivables							
Balance at January 1, 2022	—	2,067,620	—	680,087	885,104	—	3,632,811
New assets originated	—	231,352	—	15,292	6,159	—	252,803
Assets derecognized or repaid	—	(213,459)	—	(244,943)	(805,328)	—	(1,263,730)
Amounts written off	—	—	—	—	—	—	—
Transfers to Stage 1	—	163,240	—	(153,923)	(9,317)	—	—
Transfers to Stage 2	—	(310,376)	—	334,474	(24,098)	—	—
Transfers to Stage 3	—	(17,755)	—	(51,379)	69,134	—	—
Balance at December 31, 2022	P=	P1,920,622	P=	P579,608	P121,654	P=	P2,621,884

External Ratings

For investment securities, in ensuring quality investment portfolio, the Bank uses the credit risk rating from published data providers like Moody's, Standard & Poor's (S&P) or other reputable rating agencies.

Presented here is Moody's rating – equivalent S&P rating and other rating agencies applies:

Credit Quality					External Rating					
High grade	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3
Standard grade	Ba1	Ba2	Ba3	B1	B2	B3				
Substandard grade	Caa1	Caa2	Caa3	Ca	C					

High grade - represents those investments which fall under any of the following grade:

Aaa - fixed income obligations are judged to be of the highest quality, with the smallest degree of risk.

Aa1, Aa2, 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, A2, 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, 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.

Standard grade - represents those investments which fall under any of the following grade:

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.

Substandard grade - represents those investments which fall under any of the following grade:

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.

As of December 31, 2023 and 2022 the following tables show the credit quality of loans and advances to banks (in thousands).

	2023						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Due from BSP High Grade	₱9,745,634	₱–	₱–	₱–	₱–	₱–	₱9,745,634
Due from other banks High Grade	1,765,439	–	–	–	–	–	1,765,439
Total Loans and Advances to Banks High Grade	₱11,511,073	₱–	₱–	₱–	₱–	₱–	₱11,511,073
	2022						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Due from BSP High Grade	₱37,553,244	₱–	₱–	₱–	₱–	₱–	₱37,553,244
Due from other banks High Grade	2,925,163	–	–	–	–	–	2,925,163
Total Loans and Advances to Banks High Grade	₱40,478,407	₱–	₱–	₱–	₱–	₱–	₱40,478,407

As of December 31, 2023 and 2022, the following table shows the credit quality of the Bank's investment securities (in thousands):

	2023						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
FVTPL - Government Debt Securities							
High Grade	₱414,298	₱–	₱–	₱–	₱–	₱–	₱414,298
	414,298	–	–	–	–	–	414,298
FVOCI - Government Debt Securities							
High Grade	52,699,129	–	–	–	–	–	52,699,129
	52,699,129	–	–	–	–	–	52,699,129
FVOCI - Private Debt Securities							
Standard Grade	1,633,147	–	–	–	–	–	1,633,147
	1,633,147	–	–	–	–	–	1,633,147
Investment Securities at Amortized Cost - Government Debt Securities							
High Grade	27,886,190	–	–	–	–	–	27,886,190
	27,886,190	–	–	–	–	–	27,886,190
Investment Securities at Amortized Cost - Private Debt Securities							
Standard Grade	2,020,864	–	–	–	–	–	2,020,864
	2,020,864	–	–	–	–	–	2,020,864
Total Investment Securities							
High Grade	80,999,617	–	–	–	–	–	80,999,617
Standard Grade	3,654,011	–	–	–	–	–	3,654,011
	₱84,653,628	₱–	₱–	₱–	₱–	₱–	₱84,653,628



	2022						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
FVTPL - Government Debt Securities							
High Grade	P36	P–	P–	P–	P–	P–	P36
FVTPL - Derivative Asset							
High Grade	–	–	–	–	–	–	–
	36	–	–	–	–	–	36
FVOCI - Government Debt Securities							
High Grade	68,039,301	–	–	–	–	–	68,039,301
	68,039,301	–	–	–	–	–	68,039,301
FVOCI - Private Debt Securities							
Standard Grade	1,600,772	–	–	–	–	–	1,600,772
	1,600,772	–	–	–	–	–	1,600,772
Investment Securities at Amortized Cost - Government Debt Securities							
High Grade	27,932,285	–	–	–	–	–	27,932,285
	27,932,285	–	–	–	–	–	27,932,285
Investment Securities at Amortized Cost Private Debt Securities							
Standard Grade	2,508,573	–	–	–	–	–	2,508,573
	2,508,573	–	–	–	–	–	2,508,573
Total Investment Securities							
High Grade	95,971,622	–	–	–	–	–	95,971,622
Standard Grade	4,109,345	–	–	–	–	–	4,109,345
	P100,080,967	P–	P–	P–	P–	P–	P100,080,967

All of the Bank's loan commitments and financial guarantees amounting to P41.1 million and P122.0 million as of December 31, 2023 and 2022, respectively, are classified as high grade under Stage 1.

ECL Methodology Overview

Two modelling approaches are employed to build a consistent framework for the development of all ECL models of the Bank. Both modeling approaches consider past events, current conditions and forecast of economic conditions in assessing impairment.

The complex model approach is used for portfolios with a significant number of historical defaults. This approach is applied to the consumer loan portfolios. These quantitative models are built by applying statistical, economic, financial or mathematical theories, techniques and assumptions to calculate provisions. Where historical data are insufficient to develop statistical models, such as for Business Loans, Account Receivables, Sales Contract Receivables, etc. the simplified ECL approach is employed. The Bank observes the historical PD and LGD of the portfolio and applies forward looking economic data on PD to calculate the ECL.

Classification of Individual/Collective Impairment

The Bank calculates provisions either in a collective or individual basis.

Collective impairment calculates risk provisions by grouping exposures into smaller homogeneous portfolios based on a combination of borrower and account characteristics. Accounts with similar risk attributes (i.e. facility, security, credit rating, months-on-books, utilization and collateral type, etc.) are pooled together for calculating provisions based on the expected credit loss models. All Stage 1 and 2 accounts of the Bank are categorized under collective impairment.

Individual impairment is applicable for all accounts under Stage 3 or accounts deemed as significant exposures and show objective evidence of impairment. The indicators may be default in payment, restructuring, litigation or probable foreclosure.



As of December 31, 2023 and 2022, an analysis by past due status of receivables from customers wherein the SICR is based only on the past due information is as follows:

	2023					
	Number of days past due					
	Up to 30 days	31-60 days	61-90 days	91-180 days	180 days	Total
Receivables from customers						
Consumption loans	P98,570	P1,860,619	P839,132	P995,710	P1,419,009	P5,213,040
Real estate loans	669,901	890,094	321,886	237,291	573,539	2,692,711
Commercial loans	149,507	14,562	3,826	5,421	210,706	384,022
Personal loans	72,723	16,700	14,043	24,394	114,622	242,482
Total	P990,701	P2,781,975	P1,178,887	P1,262,816	P2,317,876	P8,534,255

	2022					
	Number of days past due					
	Up to 30 days	31-60 days	61-90 days	91-180 days	180 days	Total
Receivables from customers						
Consumption loans	P94,402	P1,544,667	P642,497	P657,251	P1,041,863	P3,980,680
Real estate loans	755,775	1,103,013	408,889	257,910	609,698	3,135,285
Commercial loans	38,173	15,288	11,457	1,342	315,281	381,541
Personal loans	88,419	21,226	12,267	27,729	141,573	291,214
Total	P976,769	P2,684,194	P1,075,110	P944,232	P2,108,415	P7,788,720

b. Market risk

Market risk management covers the areas of trading and interest rate risks. The Bank utilizes various measurement and monitoring tools to ensure that risk-taking activities are managed within instituted market risk parameters. The Bank revalues its trading portfolios on a daily basis and checks the revenue or loss generated by each portfolio in relation to their level of market risk.

The Bank's risk policies and implementing guidelines are regularly reviewed by the Assets and Liabilities Committee (ALCO), ROC and BOD to ensure that these are up-to-date and in line with changes in the economy, environment and regulations. The ROC and the BOD set the comprehensive market risk limit structure and define the parameters of market activities that the Bank can engage in.

Market risk is the risk to earnings and capital arising from changes in the value of traded portfolios of financial instruments (trading market risk) and from movements in interest rates (interest rate risk). The Bank's market risk originates primarily from holding peso and dollar-denominated debt securities. The Bank utilizes Value-at-Risk (VaR) to measure and manage market risk exposure. VaR estimates the potential decline in the value of a portfolio, under normal market conditions, for a given confidence level over a specified holding period.

Trading activities

The Bank's trading portfolios consist of peso- and dollar-denominated debt securities that are marked-to-market daily. We use BSP-approved Type 3 Derivative License for plain vanilla FX forwards to manage our FX risk against adverse exchange rate movements.

VaR is a statistical measure that calculates the maximum potential loss from a portfolio over a holding period, within a given confidence level. The Bank's current VaR model is based on a historical simulation methodology with a one-day holding period and a 99% confidence level. The Bank establishes limits for trading portfolios and VaR, and comply with regulatory standards. VaR reports are prepared to closely monitor potential losses against approved VaR limit. In addition, actual daily profit and loss levels are monitored against loss triggers. If there is a breach in the VaR limit or loss triggers, Treasury Group is expected to close or reduce their position and bring it down within the limit. Breaches in the limit requires approval of ALCO, President, or ROC/Board, as appropriate.



The Bank performs back testing to validate the VaR model. Results are reported to the ROC and BOD on a monthly basis. Stress testing is also conducted based on historical maximum percentage daily movement and on various ad-hoc rate shock scenarios to estimate potential losses in a crisis situation.

Responsibility for managing the Bank's trading market risk remains with the ROC. With the support of RMO, the ROC recommends to the BOD changes in market risk limits, approving authorities and other activities that need special consideration.

Discussed below are the limitations and assumptions applied by the Bank on its VaR methodology:

- a. VaR is a statistical estimate and thus, does not give the precise amount of loss;
- b. VaR is not designed to give the probability of bank failure, but only attempts to quantify losses that may arise from a bank's exposure to market risk;
- c. Historical simulation does not involve any distributional assumptions, scenarios that are used in computing VaR are limited to those that occurred in the historical sample; and
- d. VaR systems are backward-looking. It attempts to forecast likely future losses using past data. As such, this assumes that past relationships will continue to hold in the future. Major shifts therefore (i.e., an unexpected collapse of the market) are not captured and may inflict losses much bigger than anything the VaR model may have calculated.

The Bank's interest rate VaR follows (in thousands):

	December 31, 2023		December 31, 2022	
	Peso	USD	Peso	USD
Year-end	1	–	1	–
Average	0	–	1	–
High	2	–	2	–
Low	0	–	1	–

Non-trading activities

The Bank follows a prudent policy on managing its assets and liabilities to ensure that fluctuations in interest rates are kept within acceptable limits.

One method by which the Bank measures the sensitivity of its assets and liabilities to interest rate fluctuations is by way of "gap" analysis. This analysis provides the Bank with a static view of the maturity and repricing characteristics of the positions in its statement of condition. An interest rate gap report is prepared by classifying all assets and liabilities into various time period categories according to contracted maturities or anticipated repricing dates, whichever is earlier. Items lacking definitive repricing schedule (e.g., current and savings accounts) are assigned to repricing tenor buckets based on analysis of deposit behavioral patterns, past experience and/or expert judgment. The difference in the amount of assets and liabilities maturing or being repriced in any time period category 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.

The interest rate sensitivity gap report measures interest rate risk by identifying gaps between the repricing dates of assets and liabilities. The Bank's sensitivity gap model calculates the effect of possible rate movements on its interest rate profile.

EaR measures the possible decline in the Bank's net interest income as a result of adverse interest rate movements, given the current repricing profile. It is a tool used to evaluate the sensitivity of the accrual portfolio to changes in interest rates in the adverse direction over the next twelve (12) months. The Bank's EaR limits are based on a percentage of the Bank's projected earnings for the year or



capital whichever is lower. The Bank also performs stress-testing to measure the impact of various scenarios based on interest rate volatility and shift in the yield curve. The EaR and stress testing reports are prepared on a monthly basis.

The ALCO is responsible for managing the Bank's structural interest rate exposure. The ALCO's goal is to achieve a desired overall interest rate profile while remaining flexible to interest rate movements and changes in economic conditions. The RMO and ROC review and oversee the Bank's interest rate risks.

The table below demonstrates the sensitivity of equity. Equity sensitivity was computed by calculating mark-to-market changes of debt securities at FVOCI, assuming a parallel shift in the yield curve.

	2023		2022	
	Change in basis points	Sensitivity of equity	Change in basis points	Sensitivity of equity
Currency				
PHP	+10	(P10,854,916)	+10	(P5,101,207)
USD	+10	-	+10	-
Currency				
PHP	-10	10,934,344	-10	5,106,810
USD	-10	-	-10	-

The table below demonstrates the sensitivity of net interest income using the EAR model. Net interest income sensitivity was computed by calculating the changes in the banking book gaps assuming a parallel shift in the yield curve.

	2023		2022	
	Change in basis points	Sensitivity of NII	Change in basis points	Sensitivity of NII
Currency				
PHP	+10	(P2,497,311)	+10	P9,228,360
USD	+10	(9,197,978)	+10	(10,587,508)
Currency				
PHP	-10	2,497,311	-10	(9,228,360)
USD	-10	9,197,978	-10	10,587,508

The Bank employs the Delta EVE model to measure the overall change in the economic value of the bank at one point. It reflects the changes in the net present value of its banking book at different interest rate shocks and stress scenarios. ΔEVE is calculated by slotting the notional repricing cash flows arising from rate-sensitive assets and liabilities into pre-defined tenor buckets. The present value of the net repricing cash flows is then calculated using various interest rate scenarios prescribed by Basel, as well as scenarios internally developed by the Bank.

Foreign Currency Risk

Foreign currency risk is the risk of an investment's value changing due to an adverse movement in currency exchange rates. It arises due to a mismatch in the Bank's foreign currency assets and liabilities. The Bank uses BSP-approved Type 3 Derivative License for plain vanilla FX forwards to manage our FX risk against adverse exchange rate movements.



The Bank's policy is to maintain foreign currency exposure within the approved position, stop loss, loss trigger, VaR limits and to remain within existing regulatory guidelines. To compute for VaR, the Bank uses historical simulation model for USD/PHP FX position, with confidence level at 99.00% and a 1 day holding period. The Bank's VaR for its foreign exchange position for trading and non-trading activities are as follows (in thousands):

	2023 ¹	2022 ¹
As of year-end	₱1,212	₱1,669
Average	1,356	857
High	2,319	1,669
Low	671	263

¹Using METRISK Historical Simulation VaR

As of December 31, 2023 and 2022, the Bank is not exposed to significant foreign currency risk.

c. Liquidity risk

The Bank's policy on liquidity management emphasizes on three elements of liquidity, namely, cashflow management, ability to borrow in the interbank market, and maintenance of a stock of high-quality liquid assets. These three approaches complement one another with greater weight being given to a particular approach, depending upon the circumstances. The Bank's objective in liquidity management is to ensure that the Bank has sufficient liquidity to meet obligations under normal and adverse circumstances and is able to take advantage of lending and investment opportunities as they arise.

The main tool that the Bank uses for monitoring its liquidity is the Maximum Cumulative Outflow (MCO) reports, which is also called liquidity gap or maturity matching gap reports. The MCO is a useful tool in measuring and analyzing the Bank's cash flow projections and monitoring liquidity risks.

The MCO is generated by distributing the cash flows of the Bank's assets, liabilities and off-balance sheet items to time bands based on cash flow expectations such as contractual maturity, nature of the account, behavioral patterns and projections on business strategies. The incorporation of behavioral cash flow assumptions and business projections or targets results in a dynamic gap report that realistically captures the behavior of the products and creates a forward-looking cash flow projection.

Cash flows from assets are considered as cash inflows, while cash flows from liabilities are considered cash outflows. The net cash flows are determined for each given time period. If the inflows exceed the outflows, the Bank is said to have a positive liquidity gap or has excess funds for the given time bucket. Conversely, if the outflows exceed the inflows, the Bank is said to have a negative liquidity gap or has funding needs for the given time bucket.

The Bank's Liquidity Contingency Funding Plan (LCFP) projects the Bank's funding position during stress to help evaluate the Bank's funding needs and strategies under various stress conditions.

The Bank discourages dependence on Large Funds Providers (LFPs) and monitors the deposit funding concentrations so that it will not be vulnerable to a substantial drop in deposit level should there be an outflow of large deposits and there are enough high-quality liquid assets to fund LFP withdrawals. ALCO is responsible for managing the liquidity of the Bank while RMO and ROC review and oversee the Bank's overall liquidity risk management.



To mitigate potential liquidity problems caused by unexpected withdrawals of significant deposits, the Bank takes steps to cultivate good business relationships with clients and financial institutions, maintains high level of high-quality liquid assets, monitors the deposit funding concentrations and regularly updates the Liquidity Contingency Funding Plan. The Bank's Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) are managed on a daily basis to ensure compliance with the required regulatory ratios.

Financial assets

Analysis of equity and debt securities at FVTPL and financial assets at FVOCI into maturity groupings is based on the expected date on which these assets will be realized. 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.

Financial liabilities

The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date and does not consider the behavioral pattern of the creditors. When the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Bank can be required to pay.

Analysis of Financial Assets and Liabilities by Remaining Maturities

The tables below show the maturity profile of the Bank's financial assets and liabilities based on contractual undiscounted repayment obligations (in millions):

	2023							
	On demand	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 to 12 months	Total within 1 year	Beyond 1 year	Total
Financial Assets								
Financial assets at FVTPL	P-	P47	P405,093	P-	P-	P405,140	P-	P405,140
Financial assets at FVOCI								
Government securities	-	49,400	1,489	178	67	51,134	1,565	52,699
Private securities	-	-	1,396	-	-	1,396	237	1,633
Quoted equity securities	-	-	-	-	-	-	-	-
Investment securities at amortized cost	-	-	-	-	-	-	-	-
Government bonds	-	-	700	-	291	991	26,885	27,876
Private securities	-	-	254	300	-	554	1,463	2,017
Loans and receivables								
Loans and advances to banks								
Due from BSP	3,598,634	6,149,461	-	-	-	9,748,095	-	9,748,095
Due from other banks	1,765,439	-	-	-	-	1,765,439	-	1,765,439
Interbank loans receivable and SPURA	-	6,990,723	-	-	-	6,990,723	-	6,990,723
Receivables from customers								
Consumption loans	277,936	1,070,650	2,271,328	3,730,696	8,830,172	16,180,782	103,026,290	119,207,072
Real estate loans	198,323	420,242	969,853	1,383,981	2,918,912	5,891,311	72,392,509	78,283,820
Commercial loans	534,115	362,967	761,881	487,061	734,674	2,880,698	5,559,843	8,440,541
Personal loans	269,183	110,453	250,613	319,205	865,495	1,814,949	951,193	2,766,142
Other receivables								
Accrued interest receivable	2,315,104	9,623	15,249	1,567	57,148	2,398,691	-	2,398,691
Accounts receivable	910,927	14,414	2,193	2,747	1,051	931,332	461,729	1,393,061
Sales contract receivable	4,267	-	45	2,065	67	6,444	507	6,951
Other assets								
Security deposits	-	1,128	3,231	5,389	15,992	25,740	173,144	198,884
RCOCI	14,420	-	-	-	-	14,420	-	14,420
	P9,888,348	P15,179,108	P4,683,325	P5,933,189	P13,423,869	P49,107,839	P182,595,365	P231,703,204
Financial Liabilities								
Deposit liabilities								
Demand	P25,325,912	P-	P-	P-	P-	P25,325,912	P-	P25,325,912
Savings	46,463,448	-	-	-	-	46,463,448	-	46,463,448
Time	259,365	75,891,842	17,558,390	2,258,835	2,214,166	98,182,598	17,143,281	115,325,879
LTNCD	-	-	5,111,759	-	-	5,111,759	-	5,111,759
	72,048,725	75,891,842	22,670,149	2,258,835	2,214,166	175,083,717	17,143,281	192,226,998
Treasurer's, cashier's and manager's checks	1,514,066	-	-	-	-	1,514,066	-	1,514,066
Bills payable	-	271,916	-	-	-	271,916	-	271,916
Accrued interest payable	463,686	-	52,020	-	-	515,706	-	515,706
Accrued other expenses payable	-	-	2,147,831	-	-	2,147,831	-	2,147,831
Other liabilities								
Accounts payable	1,998,394	-	-	-	-	1,998,394	-	1,998,394
Lease liabilities	-	38,363	76,432	109,018	196,011	419,824	928,432	1,348,256
Other credits	169,938	-	-	-	-	169,938	-	169,938
Deposit for keys	741,645	-	-	-	-	741,645	-	741,645
	P76,936,454	P76,202,121	P24,946,432	P2,367,853	P2,410,177	P182,863,037	P18,071,713	P200,934,750



	2022							
	On demand	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 to 12 months	Total within 1 year	Beyond 1 year	Total
Financial Assets								
Financial assets at FVOCI								
Government securities	P–	P68,060	P–	P65	P60	P68,185	P1	P68,186
Private securities	–	–	–	–	–	–	1,650	1,650
Quoted equity securities	–	–	–	–	–	–	21	21
Investment securities at amortized cost								
Government bonds	–	684	584	242	398	1,908	28,875	30,783
Private securities	–	–	15	23	11	49	2,490	2,539
Loans and receivables								
Loans and advances to banks								
Due from BSP	6,320	31,233	–	–	–	37,553	–	37,553
Due from other banks	2,925	–	–	–	–	2,925	–	2,925
Interbank loans receivable and SPURA	–	2,651	–	–	–	2,651	–	2,651
Receivables from customers								
Consumption loans	244	826	1,811	2,950	7,033	12,864	76,775	89,639
Real estate loans	205	440	955	1,378	2,916	5,894	72,121	78,015
Commercial loans	513	604	694	357	745	2,913	5,288	8,201
Personal loans	314	112	263	328	910	1,927	1,016	2,943
Other receivables								
Accrued interest receivable	549	1,776	209	77	0	2,611	–	2,611
Accounts receivable	956	20	6	1	4	987	465	1,452
Sales contract receivable	4	–	2	0	0	6	5	11
Other assets								
Security deposits	–	1	2	2	9	14	177	191
RCOCI	12	–	–	–	–	12	–	12
Shortages	–	–	–	–	–	–	–	–
	P12,042	P106,407	P4,541	P5,423	P12,086	P140,499	P188,884	P329,383
Financial Liabilities								
Deposit liabilities								
Demand	P26,602	P–	P–	P–	P–	P26,602	P–	P26,602
Savings	46,933	–	–	–	–	46,933	–	46,933
Time	81	80,981	33,091	2,979	2,778	119,910	15,249	135,159
LTNCD	–	–	–	–	–	–	5,078	5,078
	73,616	80,981	33,091	2,979	2,778	193,445	20,327	213,772
Treasurer's, cashier's and manager's checks	1,014	–	–	–	–	1,014	–	1,014
Bills payable	1,186	–	–	–	–	1,186	–	1,186
Bonds payable	–	–	–	–	4,648	4,648	–	4,648
Accrued interest payable	–	–	473	–	33	506	–	506
Accrued other expenses payable	–	1,525	266	–	209	2,000	–	2,000
Other liabilities								
Accounts payable	2,087	–	–	–	–	2,087	–	2,087
Lease liabilities	–	34	66	99	195	394	929	1,323
Other credits	169	–	–	–	–	169	–	169
Bills purchased - contra	–	–	–	–	–	–	–	–
Deposit for keys	1	–	–	–	–	1	–	1
Payment order payable and overages	3	–	–	–	–	3	–	3
	P78,076	P82,540	P33,896	P3,078	P7,863	P205,453	P21,256	P226,709

6. Segment Information

The Bank's operating segments are organized and managed separately according to the nature of services provided and the different markets served, with each segment representing a strategic business unit that offers different products and serves different markets. The Bank's reportable segments are as follows:

- Consumer Banking - principally provides consumer-type loans generated by the Home Office;
- Corporate Banking - principally handles loans and other credit facilities for small and medium enterprises, corporate and institutional customers acquired in the Home Office;
- Branch Banking - serves as the Bank's main customer touch point which offers consumer and corporate banking products; and
- Treasury - principally handles institutional deposit accounts, providing money market, trading and treasury services, as well as managing the Bank's funding operations by use of government securities and placements and acceptances with other banks.

These segments are the bases on which the Bank reports its primary segment information. The Bank evaluates performance on the basis of information about the components of the Bank that senior management uses to make decisions about operating matters. There are no other operating segments than those identified by the Bank as reportable segments. There were no inter-segment revenues and expenses included in the financial information. The Bank has no single customer with revenues from which is 10.00% or more of the Bank's total revenue.



The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. Primary segment information (by business segment) for the years ended December 31, 2023, 2022 and 2021 follows (in thousands):

	2023				
	Consumer Banking	Corporate Banking	Branch Banking	Treasury	Total
Operating income					
Interest income	P3,818,782	P593,849	P7,918,866	P5,292,768	P17,624,265
Service fees and commission	586,757	12,506	1,193,480	—	1,792,743
Other operating income	953,163	7,814	607,681	22,922	1,591,580
Total operating income	5,358,702	614,169	9,720,027	5,315,690	21,008,588
Non-cash expenses					
Provision for credit and impairment losses	1,267,662	50,112	138,210	(4,894)	1,451,090
Depreciation	209,247	2,932	626,693	1,264	840,136
Amortization of intangible assets	37,485	944	67,087	697	106,213
Total non-cash expenses	1,514,394	53,988	831,990	(2,933)	2,397,439
Interest expense	—	—	2,514,801	3,283,288	5,798,089
Service fees and commission expense	21,465	458	43,661	—	65,584
Subtotal	21,465	458	2,558,462	3,283,288	5,863,673
Compensation and fringe benefits	981,002	59,622	2,736,065	35,026	3,811,715
Taxes and licenses	409,260	11,358	513,802	738,107	1,672,527
Occupancy and equipment-related costs	89,823	571	247,741	330	338,465
Security, messengerial and janitorial services	134,936	2,006	293,958	339	431,239
Miscellaneous	476,514	9,635	1,065,178	139,519	1,690,846
Subtotal	2,091,535	83,192	4,856,744	913,321	7,944,792
Income before share in net income of a joint venture and income tax	1,731,308	476,531	1,472,831	1,122,014	P4,802,684
Share in net income of a joint venture					86,341
Income before income tax					4,889,025
Provision for income tax					357,963
Net income					4,531,062
Segment assets	P96,310,679	P2,287,007	P46,653,000	P91,054,823	236,305,509
Investment in a joint venture					870,179
Deferred tax assets					1,257,608
Total assets					P238,433,296
Segment liabilities	P1,401,753	P94,864	P138,894,328	P57,888,193	P198,279,138

	2022				
	Consumer Banking	Corporate Banking	Branch Banking	Treasury	Total
Operating income					
Interest income	P3,205,313	P652,627	P7,566,916	P2,763,017	P14,187,873
Service fees and commission	528,784	19,267	1,184,791	—	1,732,842
Other operating income	1,366,039	19,538	906,231	(3,620)	2,288,188
Total operating income	5,100,136	691,432	9,657,938	2,759,397	18,208,903
Non-cash expenses					
Provision for credit and impairment losses	1,042,765	137,470	144,753	(18,746)	1,306,242
Depreciation	164,989	2,605	587,289	1,070	755,953
Amortization of intangible assets	34,423	1,039	66,598	791	102,851
Total non-cash expenses	1,242,177	141,114	798,640	(16,885)	2,165,046
Interest expense	—	—	2,238,266	898,957	3,137,223
Service fees and commission expense	15,657	570	35,082	—	51,309
Subtotal	15,657	570	2,273,348	898,957	3,188,532
Compensation and fringe benefits	889,555	69,526	2,645,630	35,843	3,640,554
Taxes and licenses	337,659	17,170	571,952	686,145	1,612,926
Occupancy and equipment-related costs	99,112	801	244,215	440	344,568
Security, messengerial and janitorial services	117,030	2,305	293,133	543	413,011
Miscellaneous	637,139	19,885	1,302,183	171,514	2,130,721
Subtotal	2,080,495	109,687	5,057,113	894,485	8,141,780
Income before share in net income of a joint venture and income tax	1,761,807	440,061	1,528,837	982,840	4,713,545
Share in net income of a joint venture					83,418
Income before income tax					4,796,963
Provision for income tax					1,118,535
Net income					P3,678,428
Segment assets	P78,301,306	P3,047,772	P46,435,918	P135,539,614	263,324,610
Investment in a joint venture					816,285
Deferred tax assets					280,114
Total assets					P264,421,009
Segment liabilities	P1,102,197	P112,602	P140,290,782	P85,775,817	P227,281,398



	2021				Total
	Consumer Banking	Corporate Banking	Branch Banking	Treasury	
Operating income					
Interest income	₱4,945,286	₱228,312	₱6,918,669	₱2,272,502	₱14,364,769
Service fees and commission	534,492	22,250	1,024,385	—	1,581,127
Other operating income	666,560	10,004	739,371	6,276	1,422,211
Total operating income	6,146,338	260,566	8,682,425	2,278,778	17,368,107
Non-cash expenses					
Provision for credit and impairment losses	2,717,849	6,068	343,425	3,336	3,070,678
Depreciation	242,670	2,653	589,789	1,216	836,328
Amortization of intangible assets	39,934	1,381	71,182	1,152	113,649
Total non-cash expenses	3,000,453	10,102	1,004,396	5,704	4,020,655
Interest expense	—	—	1,395,499	764,509	2,160,008
Service fees and commission expense	16,164	673	30,980	—	47,817
Subtotal	16,164	673	1,426,479	764,509	2,207,825
Compensation and fringe benefits	868,325	61,280	2,577,514	38,216	3,545,335
Taxes and licenses	327,026	16,041	556,772	686,295	1,586,134
Occupancy and equipment-related costs	115,829	1,145	234,903	711	352,588
Security, messengerial and janitorial services	92,338	1,249	255,334	612	349,533
Miscellaneous	672,101	18,332	1,217,257	174,513	2,082,203
Subtotal	2,075,619	98,047	4,841,780	900,347	7,915,793
Income before share in net income of a joint venture and income tax	1,054,102	151,744	1,409,770	608,218	3,223,834
Share in net income of a joint venture					41,915
Income before income tax					3,265,749
Benefit from income tax					(1,726,255)
Net income					₱1,539,494
Segment assets	₱80,895,520	₱3,765,463	₱42,419,696	₱133,385,718	260,466,397
Investment in a joint venture					762,926
Deferred tax assets					576,787
Total assets					₱261,806,110
Segment liabilities	₱811,147	₱94,530	₱141,071,696	₱84,934,660	₱226,912,033

7. Due from Bangko Sentral ng Pilipinas, Interbank Loans Receivable and Securities Purchased Under Resale Agreements

Due from Bangko Sentral ng Pilipinas

This account consists of the following:

	2023	2022
Demand deposit (Note 16)	₱3,598,633,911	₱6,320,243,574
Term deposit facility	3,000,000,000	30,023,000,000
Overnight deposit facility	3,147,000,000	1,210,000,000
	₱9,745,633,911	₱37,553,243,574

Due from BSP- Overnight deposit facility (ODF) bears annual interest rates ranging from 5.00% to 6.00% in 2023 and from 1.50% to 5.00% in 2022. On the other hand, due from BSP- Term Deposit (TD) bears annual interest rates ranging from 6.28% to 6.71% in 2023 and from 1.65% to 6.49% in 2022.

Interbank Loans Receivable and Securities Purchased Under Resale Agreements (SPURA)

This account consists of the following:

	2023	2022
Interbank loans receivable	₱—	₱18,405,615
SPURA	6,989,635,680	2,651,203,416
	₱6,989,635,680	₱2,669,609,031



SPURA are lending to counterparties collateralized by government securities ranging from one to six days.

As of December 31, 2023 and 2022, the fair values of government securities held as collateral amounted to ₱7.0 billion and ₱2.7 billion, respectively. The Bank is not permitted to sell or repledge the related collateral in the absence of default by the counterparty.

Interbank call loans (IBCL) represent short-term lending with counterparty banks and other financial institutions. These are highly liquid instruments which mature within one to five days.

Interest income on due from BSP, interbank loans receivable and SPURA are as follows:

	2023	2022	2021
Due from BSP	₱1,397,792,663	₱1,254,216,130	₱648,063,197
IBCL and SPURA			
IBCL (Note 29)	24,751,029	7,862,763	–
SPURA	394,630,077	187,915,814	70,592,184
	419,381,106	195,778,577	70,592,184
	₱1,817,173,769	₱1,449,994,707	₱718,655,381

SPURA of the Bank bears annual interest rates ranging from 5.50% to 6.40% in 2023, 2.00% to 5.50% in 2022 and 2.00% in 2021. Foreign currency-denominated IBCLs bear annual interest ranging from 4.00% to 4.50% in 2023 and from 0.32% to 3.25% in 2022, while peso-denominated IBCL of the Bank bear annual interest rate ranging from 6.19% to 6.41% in 2023 and from 1.87% to 4.25% in 2022.

8. Investment Securities

Fair Value Through Profit or Loss (FVTPL) Investments

FVTPL investments consist of the following:

	2023	2022
Government debt securities	₱414,298,313	₱35,875

The unrealized portion of the trading securities gains/(losses) on FVTPL investments amounted to ₱1.76 million in 2023 and (₱0.01 million) in 2022.

Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)

Financial assets at FVOCI consist of the following:

	2023	2022
Debt securities		
Government	₱52,699,128,847	₱68,039,300,677
Private	1,633,147,238	1,600,771,597
Equity securities		
Quoted	27,417,546	20,643,608
	₱54,359,693,631	₱69,660,715,882

As of December 31, 2023 and 2022, the Bank deposited financial assets at FVOCI with total carrying value of ₱123.9 million and ₱180.5 million, respectively, in the form of government bonds with BSP, in compliance with trust regulations (Note 30).



As of December 31, 2023, and 2022, the ECL on financial assets at FVOCI (included in 'Fair value reserves on financial assets at FVOCI') amounted to ₱0.7 million and ₱1.0 million (Note 15), respectively. Movements in the fair value reserves on financial assets at FVOCI follow:

	2023	2022
Balance at beginning of year	(₱48,782,635)	₱2,409,890
Loss (gain) from sale of financial assets at FVOCI		
realized in profit or loss	677,047	(2,499,021)
Changes in allowance for ECL (Note 15)	(207,485)	(10,324,217)
Fair value gain (loss) recognized in OCI	119,107,530	(38,369,287)
Balance at end of year	₱70,794,457	(₱48,782,635)

Investment Securities at Amortized Cost

Investment securities at amortized cost consist of the following:

	2023	2022
Debt securities		
Government	₱27,886,190,462	₱27,932,285,174
Private	2,020,863,838	2,508,572,566
	29,907,054,300	30,440,857,740
Less allowance for credit losses (Note 15)	13,886,257	18,573,036
	₱29,893,168,043	₱30,422,284,704

In 2023 and 2022, investment securities at amortized cost include Bureau of Treasury bonds pledged by the Bank to MBTC to secure its payroll account, with total carrying value of ₱60.0 million and ₱60.1 million, respectively.

In 2021, the Bank sold investment securities classified as investment securities at amortized cost with total carrying amount of ₱378.7 million, resulting in gain on disposal of investment securities at amortized cost amounting to ₱11.7 million. The disposal in 2021 was assessed as not inconsistent with the Bank's HTC business model as the disposal was considered infrequent and insignificant in value. Further, the Bank assessed that the disposals did not reflect a change in the Bank's objectives for the HTC business model. Accordingly, the remaining investment securities in the affected HTC portfolio continue to be measured at amortized cost.

Interest income on investment securities consists of:

	2023	2022	2021
Interest income recognized using EIR			
Financial assets at FVOCI	₱2,948,166,683	₱1,590,417,662	₱940,474,154
Investment securities at amortized cost	1,359,495,255	983,839,251	545,545,008
	4,307,661,938	2,574,256,913	1,486,019,162
Interest income recognized using nominal interest rates			
FVTPL investments	3,495,728	2,152	11,272,985
	₱4,311,157,666	₱2,574,259,065	₱1,497,292,147

EIR on financial assets at FVOCI investments as of December 31, 2023, 2022, and 2021, range from 6.34% to 6.74%, from 1.97% to 6.04%, and from 0.97% to 9.34%, respectively.



On the other hand, EIR on peso-denominated investment securities at amortized cost range from 4.99% to 5.55% in 2023, from 3.86% to 5.02% in 2022 and from 3.21% to 5.61% in 2021, while EIR on foreign currency-denominated investment securities at amortized cost range from 3.28% to 3.65%, from 3.31% to 3.66% in 2022 and 3.32% to 3.67% in 2021.

Trading and securities gains (losses) - net on investment securities consist of:

	2023	2022	2021
Financial assets at FVOCI	(P677,047)	P2,499,021	P4,000,002
FVTPL investments (Note 29)	5,970,945	(43,835)	(1,266,526)
	P5,293,898	P2,455,186	P2,733,476

9. Loans and Receivables

This account consists of:

	2023	2022
Receivables from customers		
Consumption loans	P75,082,900,240	P60,698,139,340
Real estate loans	41,266,767,900	42,188,099,978
Commercial loans	6,749,239,198	6,479,111,462
Personal loans (Note 29)	2,103,099,117	2,223,139,881
	125,202,006,455	111,588,490,661
Less unearned discounts and capitalized interest	115,002,708	185,272,959
	125,087,003,747	111,403,217,702
Other receivables		
Accrued interest receivable	2,398,689,550	2,610,954,731
Accounts receivable (Note 29)	1,393,060,263	1,452,343,060
Bills purchased (Note 19)	42,243,033	—
Sales contract receivables	6,951,309	10,929,360
	128,927,947,902	115,477,444,853
Less allowance for credit losses (Note 15)	6,163,535,676	5,780,140,301
	P122,764,412,226	P109,697,304,552

Personal loans comprise deposit collateral loans, employee salary and consumer loan products such as money card, multi-purpose loan and flexi-loan.

As of December 31, 2023, 2022 and 2021, 35.65%, 40.09%, and 42.38%, respectively, of the total receivables from customers are subject to periodic interest repricing with average EIR of 8.50%, 8.14%, and 7.74% in 2023, 2022 and 2021, respectively. Remaining receivables earn average annual fixed interest rates of 16.43%, 15.95%, and 15.91%, in 2023, 2022 and 2021, respectively.

Interest income on loans and receivables consists of:

	2023	2022	2021
Receivables from customers			
Consumption loans	P6,871,709,159	P5,666,303,484	P6,268,592,270
Real estate loans	3,504,027,484	3,462,009,203	3,882,390,733
Personal loans (Note 29)	627,081,379	585,515,967	1,329,347,250
Commercial loans	476,440,498	445,022,995	665,758,611
Other receivables			
Sales contract receivables	200,864	666,388	2,685,306
	P11,479,459,384	P10,159,518,037	P12,148,774,170



Interest income from restructured loans amounted to ₱10.7 million, ₱5.9 million, and ₱5.0 million in 2023, 2022, and 2021, respectively.

On March 25, 2020, Republic Act (RA) No. 11469, otherwise known as the Bayanihan to Heal as One Act (“Bayanihan 1 Act”) was enacted. Bayanihan 1 Act provides that all covered institutions shall implement a 30-day grace period for all loans with principal and/or interest and lease amortization falling due within the ECQ Period without incurring interest on interest, penalties, fees and other charges. Subsequently, on September 11, 2020, RA No. 11494, otherwise known as the Bayanihan to Recover as One Act (“Bayanihan 2 Act”), was enacted. Under Bayanihan 2 Act, a one-time sixty (60)-day grace period is granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interests, penalties, fees, or other charges and thereby extending the maturity of the said loans. Furthermore, a minimum 30-day grace period shall also be granted by covered institutions to all payments due within the period of community quarantine on rent and utility-related expenditures without incurring penalties, interest, and other charges.

Accretion of modified loans amounted to ₱70.1 million, ₱107.0 million and ₱134.6 million in 2023, 2022 and 2021, respectively (Note 23).

10. Investment in a Joint Venture

The Bank’s investment in a joint venture represents its 30.00% interest in Sumisho Motor Finance Corporation (SMFC) as of December 31, 2023 and 2022.

SMFC was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on November 26, 2009. It started commercial operations in March 2010. Its principal office is located at 12th Floor, PSBank Center, 777 Paseo de Roxas corner Sedeño Street, Makati City.

SMFC is engaged in the business of lending or leasing to retail customers for their purchase of motorcycles.

Management has assessed that the Bank continues to have joint control over SMFC together with GT Capital, Sumitomo Japan, and Sumitomo Corporation of the Philippines (Sumitomo Group), as all investors are bound by all terms and conditions of the original Joint Venture Agreement between the Bank and Sumitomo Group, where unanimous consent is required from all the parties for SMFC’s relevant activities.

The investment is measured using the equity method. As of December 31, 2023, and 2022, the Bank’s investment in a joint venture amounted to ₱870.2 million and ₱816.3 million, respectively.

Movement in this account follows (in thousands):

	2023	2022
Balance at beginning of year	₱816,285	₱762,926
Share in net income (Note 29)	86,341	83,418
Share in remeasurement gains on retirement plan (Note 29)	3,301	—
Share in hedge reserves (Note 29)	21,852	—
Dividends received	(57,600)	(30,059)
Balance at end of year	₱870,179	₱816,285



The following table illustrates the summarized financial information of SMFC (in thousands):

	2023	2022
Current assets	₱7,251,886	₱6,422,841
Non-current assets	452,478	373,076
Current liabilities	(3,279,135)	(3,968,926)
Non-current liabilities	(1,524,632)	(106,041)
Net assets	₱2,900,597	₱2,720,950

	2023	2022
Cash and cash equivalents	₱687,758	₱373,518
Current financial liabilities	(3,299,346)	(3,644,859)
Non-current financial liabilities	(1,417,664)	(28,599)

	2023	2022	2021
Revenues	₱1,803,734	₱1,548,564	₱1,962,096
Less: Costs and expenses	1,539,695	1,159,711	1,588,374
	264,039	388,853	373,722
Less: Provision for (benefit from) income tax	(23,764)	110,792	234,006
Net income	287,803	278,061	139,716
Add: Other comprehensive income	(32,357)	33,212	90,384
Total comprehensive income	₱255,446	₱311,273	₱230,100

	2023	2022	2021
Interest income	₱1,715,112	₱1,459,009	₱1,646,205
Interest expense	240,397	164,828	217,354
Depreciation and amortization	96,437	91,584	67,542
Income tax expense or income	62,536	110,792	234,006

Cost of the investment as of December 31, 2023 and 2022 amounted to ₱600.0 million.

On June 23, 2023, SMFC declared dividends of ₱9.60 per share amounting to a total of ₱192.0 million. The same was paid to shareholders on July 19, 2023.

On June 24, 2022, SMFC declared dividends of ₱5.01 per share amounting to a total of ₱100.2 million. The same was paid to shareholders on July 20, 2022.

SMFC is a private company and there is no quoted market price available for its shares. The net assets of SMFC consist mainly of financial assets and financial liabilities.

The Bank has no share in any contingent liabilities or capital commitments of SMFC as of December 31, 2023 and 2022. There are also no agreements entered into by SMFC that may restrict dividends and other capital contributions to be paid, loans and advances to be made or repaid to or from the Bank as of the said dates.



11. Property and Equipment

The composition of and movements in this account follow:

2023						
	Land	Building	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-use Assets: Building	Total
Cost						
Balance at beginning of the period	₹976,443,676	₹1,155,304,612	₹3,135,342,532	₹1,101,893,510	₹2,001,043,368	₹8,370,027,698
Acquisitions/Additions	–	9,541,646	349,393,788	29,491,286	312,921,930	701,348,650
Disposals/Retirement	–	–	(69,397,401)	–	(350,373,660)	(419,771,061)
Balance at end of the period	976,443,676	1,164,846,258	3,415,338,919	1,131,384,796	1,963,591,638	8,651,605,287
Accumulated Depreciation						
Balance at beginning of the period	–	598,513,254	2,715,701,056	1,041,927,841	887,162,420	5,243,304,571
Depreciation	–	35,811,640	156,665,664	28,339,407	417,200,588	638,017,299
Disposals/Retirement	–	–	(37,264,214)	–	(334,409,746)	(371,673,960)
Balance at end of the period	–	634,324,894	2,835,102,506	1,070,267,248	969,953,262	5,509,647,910
Net Book Value	₹976,443,676	₹530,521,364	₹580,236,413	₹61,117,548	₹993,638,376	₹3,141,957,377

2022						
	Land	Building	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-use Assets: Building	Total
Cost						
Balance at beginning of the period	₹976,443,676	₹1,153,733,962	₹2,950,915,849	₹1,071,161,902	₹1,805,984,812	₹7,958,240,201
Acquisitions/Additions	–	1,570,650	300,248,803	31,019,624	523,368,707	856,207,784
Disposals/Retirement	–	–	(115,822,120)	(288,016)	(328,310,151)	(444,420,287)
Balance at end of the period	976,443,676	1,155,304,612	3,135,342,532	1,101,893,510	2,001,043,368	8,370,027,698
Accumulated Depreciation						
Balance at beginning of the period	–	562,531,286	2,685,875,690	1,013,331,430	758,045,946	5,019,784,352
Depreciation	–	35,981,968	116,044,932	28,884,427	399,626,555	580,537,882
Disposals/Retirement	–	–	(86,219,566)	(288,016)	(270,510,081)	(357,017,663)
Balance at end of the period	–	598,513,254	2,715,701,056	1,041,927,841	887,162,420	5,243,304,571
Net Book Value	₹976,443,676	₹556,791,358	₹419,641,476	₹59,965,669	₹1,113,880,948	₹3,126,723,127

Gain on sale of property and equipment amounted to ₹3.9 million in 2023, ₹12.1 million in 2022 and ₹2.0 million in 2021.

The details of depreciation under the statements of income follow:

	2023	2022	2021
Property and equipment	₹638,017,299	₹580,537,882	₹573,391,951
Chattel mortgage properties (Note 14)	109,360,006	83,084,760	180,862,587
Investment properties (Note 12)	92,758,455	92,330,079	82,073,041
	₹840,135,760	₹755,952,721	₹836,327,579

As of December 31, 2023 and 2022, property and equipment of the Bank with gross carrying amounts of ₹2.4 billion and ₹2.5 billion, respectively, are fully depreciated but are still being used.



12. Investment Properties

The composition of and movements in this account follow:

	2023		
	Land	Building Improvements	Total
Cost			
Balance at beginning of year	₱1,372,656,512	₱3,345,050,833	₱4,717,707,345
Additions (Note 32)	196,132,372	464,387,687	660,520,059
Disposals	(164,314,113)	(587,890,609)	(752,204,722)
Balance at end of year	1,404,474,771	3,221,547,911	4,626,022,682
Accumulated Depreciation			
Balance at beginning of year	—	459,729,368	459,729,368
Depreciation (Note 11)	—	92,758,455	92,758,455
Disposals	—	(66,092,310)	(66,092,310)
Balance at end of year	—	486,395,513	486,395,513
Allowance for Impairment Losses			
Balance at beginning of year	57,557,773	168,949,139	226,506,912
Provisions for the year (Note 15)	415,646	11,769,290	12,184,936
Disposals	(1,846,285)	(32,168,578)	(34,014,863)
Balance at end of year	56,127,134	148,549,851	204,676,985
Net Book Value	₱1,348,347,637	₱2,586,602,547	₱3,934,950,184

	2022		
	Land	Building Improvements	Total
Cost			
Balance at beginning of year	₱1,320,449,533	₱2,794,942,497	₱4,115,392,030
Additions (Note 32)	294,903,221	1,143,279,296	1,438,182,517
Disposals	(242,696,242)	(593,170,960)	(835,867,202)
Balance at end of year	1,372,656,512	3,345,050,833	4,717,707,345
Accumulated Depreciation			
Balance at beginning of year	—	451,937,538	451,937,538
Depreciation (Note 11)	—	92,330,079	92,330,079
Disposals	—	(84,538,249)	(84,538,249)
Balance at end of year	—	459,729,368	459,729,368
Allowance for Impairment Losses			
Balance at beginning of year	66,586,922	88,269,464	154,856,386
Provisions (reversals) for the year (Note 15)	(7,684,815)	111,666,863	103,982,048
Disposals	(1,344,334)	(30,987,188)	(32,331,522)
Balance at end of year	57,557,773	168,949,139	226,506,912
Net Book Value	₱1,315,098,739	₱2,716,372,326	₱4,031,471,065

The details of the net book value of investment properties follow:

	2023	2022
Real estate properties acquired in settlement of loans and receivables	₱3,859,953,928	₱3,952,646,383
Bank premises leased to third parties and held for capital appreciation	74,996,256	78,824,682
	₱3,934,950,184	₱4,031,471,065

As of December 31, 2023 and 2022, the aggregate fair value of investment properties amounted to ₱6.6 billion and ₱6.5 billion, respectively. Fair value of the properties was determined using sales comparison approach. Fair values are based on valuations performed by accredited external and in-house appraisers.



Gain on foreclosure of investment properties amounted to ₱233.5 million, ₱597.4 million, and ₱256.5 million in 2023, 2022 and 2021, respectively. Gain on sale of investment properties amounted to ₱128.4 million, ₱204.3 million, and ₱314.8 million in 2023, 2022 and 2021, respectively. Rental income on investment properties included in 'Miscellaneous income' amounted to ₱47.2 million, ₱44.1 million, and ₱42.4 million in 2023, 2022 and 2021, respectively (Notes 23 and 25).

Operating expenses incurred in maintaining investment properties (included under miscellaneous expense - 'Repairs and maintenance') amounted to ₱10.2 million, ₱11.1 million, and ₱13.0 million in 2023, 2022 and 2021, respectively (Note 26).

13. Intangible Assets and Goodwill

This account consists of:

	2023	2022
Goodwill	₱53,558,338	₱53,558,338
Intangible assets		
Software costs	207,515,121	243,208,824
Branch licenses	37,123,737	37,123,737
	244,638,858	280,332,561
	₱298,197,196	₱333,890,899

Movements in intangible assets follow:

	2023		
	Software Costs	Branch Licenses	Total
Balance at beginning of year	₱243,208,824	₱37,123,737	₱280,332,561
Additions	70,519,156	—	70,519,156
Amortization	(106,212,859)	—	(106,212,859)
Balance at end of year	₱207,515,121	₱37,123,737	₱244,638,858

	2022		
	Software Costs	Branch Licenses	Total
Balance at beginning of year	₱270,511,009	₱37,123,737	₱307,634,746
Additions	75,548,530	—	75,548,530
Amortization	(102,850,715)	—	(102,850,715)
Balance at end of year	₱243,208,824	₱37,123,737	₱280,332,561



14. Other Assets

This account consists of:

	2023	2022
Financial assets		
Security deposits (Note 29)	₱198,883,979	₱190,888,081
Liquidity requirement for electronic money products	187,273,039	—
RCOCI	14,419,807	12,023,475
Others*	436,826	438,414
	401,013,651	203,349,970
Non-financial assets		
Chattel mortgage properties - net	667,892,031	335,317,543
Prepayments (Note 29)	164,561,700	129,455,531
Creditable withholding tax	45,044,403	50,161,181
Stationeries and supplies on hand	44,329,293	37,852,452
Documentary stamps on hand	22,890,982	28,565,091
Net retirement assets (Note 24)	—	203,410,383
Others**	46,556	6,665
	944,764,965	784,768,846
	₱1,345,778,616	₱988,118,816

* Others under financial assets comprise petty cash fund, shortages, and other investments

** Others under non-financial assets comprise inter-office float items, sundry debits, deferred charges, postages stamps

Prepayments represent prepaid insurance, rent, taxes, and other prepaid expenses.

Creditable withholding tax (CWT) pertains to the excess credits after applying CWT against income tax payable.

Liquidity requirement for electronic money products represents the amount set up to be held in trust for the specific purpose of liquidation of balances of electronic money (e-money) products of the Bank in compliance with BSP Circular No. 1166, *Amendments to the Regulations on Electronic Money (e-money) and the Operations of Electronic Money Issuers (EMI) in the Philippines* which was released by BSP on February 7, 2023. The BSP requires Bangko Sentral-Supervised Financial Institutions (BSFIs) to have sufficient liquid assets to always meet e-money redemptions by its customers. Such amount held in the trust account shall not fall below the required minimum balance of at least 50% of the outstanding e-money balances.

Movements in chattel mortgage properties - net follow:

	2023	2022
Cost		
Balance at beginning of year	₱417,400,112	₱494,437,996
Additions (Note 32)	2,320,586,633	1,978,930,122
Disposals	(2,001,189,653)	(2,055,968,006)
Balance at the end of year	736,797,092	417,400,112
Accumulated Depreciation		
Balance at beginning of year	82,062,955	85,868,482
Depreciation (Note 11)	109,360,006	83,084,760
Disposals	(122,660,444)	(86,890,287)
Balance at the end of year	68,762,517	82,062,955

(Forward)



	2023	2022
Allowance for Impairment Losses		
Balance at beginning of year	₱19,614	₱49,740
Provisions (Note 15)	674,171	376,044
Disposals	(551,241)	(406,170)
Balance at end of year	142,544	19,614
Net Book Value	₱667,892,031	₱335,317,543

Gain on foreclosure of chattel mortgage properties amounted to ₱491.9 million, ₱595.4 million and ₱479.4 million in 2023, 2022 and 2021, respectively.

Gain (loss) on sale of chattel mortgage properties amounted to ₱128.1 million, ₱104.8 million and (₱337.2 million) in 2023, 2022 and 2021, respectively.

15. Allowance for Credit and Impairment Losses

An analysis of changes in the ECL allowances for loans and advances to banks as of December 31, 2023 and 2022 follows (in thousands):

	2023						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Due from BSP							
Balance as of January 1, 2023	₱-	₱-	₱-	₱-	₱-	₱-	₱-
New assets originated or purchased	-	-	-	-	-	-	-
Assets derecognized or repaid	-	-	-	-	-	-	-
Balance at December 31, 2023	-	-	-	-	-	-	-
Due from other banks							
Balance at January 1, 2023	14,671	-	-	-	-	-	14,671
New assets originated or purchased	-	-	-	-	-	-	-
Assets derecognized or repaid	(13,462)	-	-	-	-	-	(13,462)
Balance at December 31, 2023	1,209	-	-	-	-	-	1,209
Total loans and advances to banks							
Balance at January 1, 2023	14,671	-	-	-	-	-	14,671
New assets originated or purchased	-	-	-	-	-	-	-
Assets derecognized or repaid	(13,462)	-	-	-	-	-	(13,462)
Balance at December 31, 2023	₱1,209	₱-	₱-	₱-	₱-	₱-	₱1,209

	2022						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Due from BSP							
Balance as of January 1, 2022	₱1,174	₱-	₱-	₱-	₱-	₱-	₱1,174
New assets originated or purchased	-	-	-	-	-	-	-
Assets derecognized or repaid	(1,174)	-	-	-	-	-	(1,174)
Balance at December 31, 2022	-	-	-	-	-	-	-
Due from other banks							
Balance at January 1, 2022	1,099	-	-	-	-	-	1,099
New assets originated or purchased	13,572	-	-	-	-	-	13,572
Assets derecognized or repaid	-	-	-	-	-	-	-
Balance at December 31, 2022	14,671	-	-	-	-	-	14,671
Total loans and advances to banks							
Balance at January 1, 2022	2,273	-	-	-	-	-	2,273
New assets originated or purchased	13,572	-	-	-	-	-	13,572
Assets derecognized or repaid	(1,174)	-	-	-	-	-	(1,174)
Balance at December 31, 2022	₱14,671	₱-	₱-	₱-	₱-	₱-	₱14,671



An analysis of changes in the ECL allowances for investment securities as of December 31, 2023 and 2022 follows (in thousands):

	2023						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Financial assets at FVOCI							
Balance at January 1, 2023	₱954	₱-	₱-	₱-	₱-	₱-	₱954
New assets originated or purchased	-	-	-	-	-	-	-
Assets derecognized or repaid	(208)	-	-	-	-	-	(208)
Balance at December 31, 2023	746	-	-	-	-	-	746
Investment at amortized cost							
Balance at January 1, 2023	18,573	-	-	-	-	-	18,573
New assets originated or purchased	-	-	-	-	-	-	-
Assets derecognized or repaid	(4,687)	-	-	-	-	-	(4,687)
Balance at December 31, 2023	13,886	-	-	-	-	-	13,886
Total investment securities							
Balance at January 1, 2023	19,527	-	-	-	-	-	19,527
New assets originated or purchased	-	-	-	-	-	-	-
Assets derecognized or repaid	(4,895)	-	-	-	-	-	(4,895)
Balance at December 31, 2023	₱14,632	₱-	₱-	₱-	₱-	₱-	₱14,632

	2022						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Financial assets at FVOCI							
Balance at January 1, 2022	₱11,278	₱-	₱-	₱-	₱-	₱-	₱11,278
New assets originated or purchased	-	-	-	-	-	-	-
Assets derecognized or repaid	(10,324)	-	-	-	-	-	(10,324)
Balance at December 31, 2022	954	-	-	-	-	-	954
Investment at amortized cost							
Balance at January 1, 2022	25,598	-	-	-	-	-	25,598
New assets originated or purchased	14,322	-	-	-	-	-	14,322
Assets derecognized or repaid	(21,347)	-	-	-	-	-	(21,347)
Balance at December 31, 2022	18,573	-	-	-	-	-	18,573
Total investment securities							
Balance at January 1, 2022	36,876	-	-	-	-	-	36,876
New assets originated or purchased	14,322	-	-	-	-	-	14,322
Assets derecognized or repaid	(31,671)	-	-	-	-	-	(31,671)
Balance at December 31, 2022	₱19,527	₱-	₱-	₱-	₱-	₱-	₱19,527

An analysis of changes in the ECL allowances for receivables from customers as of December 31, 2023 and 2022 follows (in thousands):

	2023						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Consumption Loans							
Balance at January 1, 2023	₱-	₱1,706,746	₱-	₱569,605	₱938,875	₱-	₱3,215,226
New assets originated or purchased	-	1,514,645	-	116,684	185,796	-	1,817,125
Assets derecognized or repaid	-	(132,064)	-	(182,992)	(348,783)	-	(663,839)
Amounts written off	-	-	-	-	(145,656)	-	(145,656)
Transfers to Stage 1	-	104,699	-	(87,647)	(17,052)	-	-
Transfers to Stage 2	-	(165,555)	-	196,066	(30,511)	-	-
Transfers to Stage 3	-	(46,230)	-	(79,764)	125,994	-	-
Impact on change in assumptions	-	(964,343)	-	77,927	581,029	-	(305,387)
Balance at December 31, 2023	-	2,017,898	-	609,879	1,289,692	-	3,917,469
Real Estate Loans							
Balance at January 1, 2023	-	246,988	-	547,520	311,961	-	1,106,469
New assets originated or purchased	-	42,543	-	4,412	4,610	-	51,565
Assets derecognized or repaid	-	(10,694)	-	(45,306)	(42,410)	-	(98,410)
Amounts written off	-	-	-	-	-	-	-
Transfers to Stage 1	-	67,007	-	(63,962)	(3,045)	-	-
Transfers to Stage 2	-	(77,394)	-	114,111	(36,717)	-	-
Transfers to Stage 3	-	(1,822)	-	(19,200)	21,022	-	-
Impact on change in assumptions	-	(72,318)	-	35,523	(59,900)	-	(96,695)
Balance at December 31, 2023	-	194,310	-	573,098	195,521	-	962,929
Commercial Loans							
Balance at January 1, 2023	-	55,871	-	35,208	176,753	-	267,832
New assets originated or purchased	-	6,824	-	38	5,317	-	12,179
Assets derecognized or repaid	-	(28,497)	-	(18,003)	(15,764)	-	(62,264)
Amounts written off	-	-	-	-	-	-	-
Transfers to Stage 1	-	9,333	-	(9,303)	(30)	-	-
Transfers to Stage 2	-	(774)	-	854	(80)	-	-
Transfers to Stage 3	-	(75)	-	(331)	406	-	-

(Forward)



	2023						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Impact on change in assumptions	₱–	(₱14,268)	₱–	₱6,460	₱18,237	₱–	₱10,429
Balance at December 31, 2023	–	28,414	–	14,923	184,839	–	228,176
Personal Loans							
Balance at January 1, 2023	–	107,081	–	256,563	214,182	–	577,826
New assets originated or purchased	–	38,158	–	62,300	12,539	–	112,997
Assets derecognized or repaid	–	(29,839)	–	-37,020	(1,025)	–	(67,884)
Amounts written off	–	–	–	–	(112,283)	–	(112,283)
Transfers to Stage 1	–	41,548	–	(41,461)	(87)	–	–
Transfers to Stage 2	–	(12,285)	–	12,527	(242)	–	–
Transfers to Stage 3	–	(2,900)	–	-20,676	23,576	–	–
Impact on change in assumptions	–	(71,053)	–	-14,536	48,093	–	(37,496)
Balance at December 31, 2023	–	70,710	–	217,697	184,753	–	473,160
Total Receivables from Customers							
Balance at January 1, 2023	–	2,116,686	–	1,408,896	1,641,771	–	5,167,353
New assets originated or purchased	–	1,602,170	–	183,434	208,262	–	1,993,866
Assets derecognized or repaid	–	(201,094)	–	(283,321)	(407,983)	–	(892,398)
Amounts written off	–	–	–	–	(257,939)	–	(257,939)
Transfers to Stage 1	–	222,587	–	(202,373)	(20,214)	–	–
Transfers to Stage 2	–	(256,008)	–	323,558	(67,550)	–	–
Transfers to Stage 3	–	(51,027)	–	(119,971)	170,998	–	–
Impact on change in assumptions	–	(1,121,982)	–	105,374	587,459	–	(429,149)
Balance at December 31, 2023	₱–	₱2,311,332	₱–	₱1,415,597	₱1,854,804	₱–	₱5,581,733

	2022						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Consumption Loans							
Balance at January 1, 2022	₱–	₱1,141,409	₱–	₱1,154,661	₱1,675,006	₱–	₱3,971,076
New assets originated or purchased	–	1,241,271	–	53,407	54,053	–	1,348,731
Assets derecognized or repaid	–	(132,694)	–	(294,409)	(486,387)	–	(913,490)
Amounts written off	–	–	–	–	(616,950)	–	(616,950)
Transfers to Stage 1	–	341,274	–	(279,641)	(61,633)	–	–
Transfers to Stage 2	–	(123,772)	–	215,989	(92,217)	–	–
Transfers to Stage 3	–	(18,785)	–	(122,702)	141,487	–	–
Impact on change in assumptions	–	(741,957)	–	(157,700)	325,516	–	(574,141)
Balance at December 31, 2022	–	1,706,746	–	569,605	938,875	–	3,215,226
Real Estate Loans							
Balance at January 1, 2022	–	75,080	–	291,816	276,789	–	643,685
New assets originated or purchased	–	57,708	–	4,625	3,208	–	65,541
Assets derecognized or repaid	–	(5,199)	–	(28,481)	(101,738)	–	(135,418)
Amounts written off	–	–	–	–	–	–	–
Transfers to Stage 1	–	54,264	–	(47,664)	(6,600)	–	–
Transfers to Stage 2	–	(35,379)	–	108,164	(72,785)	–	–
Transfers to Stage 3	–	(754)	–	(29,158)	29,912	–	–
Impact on change in assumptions	–	101,268	–	248,218	183,175	–	532,661
Balance at December 31, 2022	–	246,988	–	547,520	311,961	–	1,106,469
Commercial Loans							
Balance at January 1, 2022	–	222,225	–	23,966	257,972	–	504,163
New assets originated or purchased	–	25,131	–	995	150	–	26,276
Assets derecognized or repaid	–	(59,800)	–	(2,204)	(61,598)	–	(123,602)
Amounts written off	–	–	–	–	–	–	–
Transfers to Stage 1	–	9,116	–	(6,044)	(3,072)	–	–
Transfers to Stage 2	–	(1,141)	–	14,409	(13,268)	–	–
Transfers to Stage 3	–	(41)	–	(1,625)	1,666	–	–
Impact on change in assumptions	–	(139,619)	–	5,711	(5,097)	–	(139,005)
Balance at December 31, 2022	–	55,871	–	35,208	176,753	–	267,832
Personal Loans							
Balance at January 1, 2022	–	15,644	–	408,105	683,244	–	1,106,993
New assets originated or purchased	–	58,712	–	60,721	9,111	–	128,544
Assets derecognized or repaid	–	(3,778)	–	(80,077)	(51,181)	–	(135,036)
Amounts written off	–	–	–	–	(450,694)	–	(450,694)
Transfers to Stage 1	–	98,205	–	(97,289)	(916)	–	–
Transfers to Stage 2	–	(4,155)	–	8,348	(4,193)	–	–
Transfers to Stage 3	–	(103)	–	(40,300)	40,403	–	–
Impact on change in assumptions	–	(57,444)	–	(2,945)	(11,592)	–	(71,981)
Balance at December 31, 2022	–	107,081	–	256,563	214,182	–	577,826
Total Receivables from Customers							
Balance at January 1, 2022	–	1,454,358	–	1,878,548	2,893,011	–	6,225,917
New assets originated or purchased	–	1,382,822	–	119,748	66,522	–	1,569,092
Assets derecognized or repaid	–	(201,471)	–	(405,171)	(700,904)	–	(1,307,546)
Amounts written off	–	–	–	–	(1,067,644)	–	(1,067,644)
Transfers to Stage 1	–	502,859	–	(430,638)	(72,221)	–	–
Transfers to Stage 2	–	(164,447)	–	346,910	(182,463)	–	–
Transfers to Stage 3	–	(19,683)	–	(193,785)	213,468	–	–
Impact on change in assumptions	–	(837,752)	–	93,284	492,002	–	(252,466)
Balance at December 31, 2022	₱–	₱2,116,686	₱–	₱1,408,896	₱1,641,771	₱–	₱5,167,353



An analysis of changes in the ECL allowances for other receivables as of December 31, 2023 and 2022 follows (in thousands):

	2023						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Accrued Interest Receivable							
Balance as of January 1, 2023	₱—	18,183	₱—	18,826	25,734	₱—	62,743
New assets originated or purchased	—	13,079	—	2,345	9,193	—	24,617
Assets derecognized or repaid	—	(1,855)	—	(4,094)	(15,174)	—	(21,123)
Amounts written off	—	—	—	—	—	—	—
Transfers to Stage 1	—	2,621	—	(2,459)	(162)	—	—
Transfers to Stage 2	—	(2,267)	—	2,657	(390)	—	—
Transfers to Stage 3	—	(568)	—	(2,317)	2,885	—	—
Impact on change in assumptions	—	(10,167)	—	130	16,027	—	5,990
Balance at December 31, 2023	—	19,026	—	15,088	38,113	—	72,227
Sales Contract Receivable							
Balance as of January 1, 2023	—	1	—	11	172	—	184
New assets originated or purchased	—	—	—	—	—	—	—
Assets derecognized or repaid	—	—	—	(6)	(37)	—	(43)
Amounts written off	—	—	—	—	—	—	—
Transfers to Stage 1	—	6	—	(6)	—	—	—
Transfers to Stage 2	—	—	—	3	(3)	—	—
Transfers to Stage 3	—	—	—	—	—	—	—
Impact on change in assumptions	—	(1)	—	17	414	—	430
Balance at December 31, 2023	—	6	—	19	546	—	571
Total Other Receivables							
Balance as of January 1, 2023	—	18,184	—	18,837	25,906	—	62,927
New assets originated or purchased	—	13,079	—	2,345	9,193	—	24,617
Assets derecognized or repaid	—	(1,855)	—	(4,100)	(15,211)	—	(21,166)
Amounts written off	—	—	—	—	—	—	—
Transfers to Stage 1	—	2,627	—	(2,465)	(162)	—	—
Transfers to Stage 2	—	(2,267)	—	2,660	(393)	—	—
Transfers to Stage 3	—	(568)	—	(2,317)	2,885	—	—
Impact on change in assumptions	—	(10,168)	—	147	16,441	—	6,420
Balance at December 31, 2023	₱—	₱19,032	₱—	₱15,107	₱38,659	₱—	₱72,798

	2022						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Accrued Interest Receivable							
Balance as of January 1, 2022	₱—	₱10,935	₱—	₱21,796	₱708,635	₱—	₱741,366
New assets originated or purchased	—	11,597	—	1,630	1,857	—	15,084
Assets derecognized or repaid	—	(1,280)	—	(6,065)	(699,190)	—	(706,535)
Amounts written off	—	—	—	—	—	—	—
Transfers to Stage 1	—	4,409	—	(4,044)	(365)	—	—
Transfers to Stage 2	—	(1,148)	—	2,032	(884)	—	—
Transfers to Stage 3	—	(142)	—	(1,962)	2,104	—	—
Impact on change in assumptions	—	(6,188)	—	5,439	13,577	—	12,828
Balance at December 31, 2022	—	18,183	—	18,826	25,734	—	62,743
Sales Contract Receivable							
Balance as of January 1, 2022	—	1	—	80	216	—	297
New assets originated or purchased	—	—	—	—	—	—	—
Assets derecognized or repaid	—	—	—	(73)	—	—	(73)
Amounts written off	—	—	—	—	—	—	—
Transfers to Stage 1	—	29	—	—	(29)	—	—
Transfers to Stage 2	—	—	—	11	(11)	—	—
Transfers to Stage 3	—	—	—	—	—	—	—
Impact on change in assumptions	—	(29)	—	(7)	(4)	—	(40)
Balance at December 31, 2022	—	1	—	11	172	—	184
Total Other Receivables							
Balance as of January 1, 2022	—	10,936	—	21,876	708,851	—	741,663
New assets originated or purchased	—	11,597	—	1,630	1,857	—	15,084
Assets derecognized or repaid	—	(1,280)	—	(6,138)	(699,190)	—	(706,608)
Amounts written off	—	—	—	—	—	—	—
Transfers to Stage 1	—	4,438	—	(4,044)	(394)	—	—
Transfers to Stage 2	—	(1,148)	—	2,043	(895)	—	—
Transfers to Stage 3	—	(142)	—	(1,962)	2,104	—	—
Impact on change in assumptions	—	(6,217)	—	5,432	13,573	—	12,788
Balance at December 31, 2022	₱—	18,184	₱—	18,837	25,906	₱—	₱62,927



The ECL allowance on accounts receivables of the Bank based on their aging as of December 31, 2023 and 2022 follows:

Age of accounts receivables	2023	2022
Up to 1 month	₱5,566,498	₱54,242,512
> 1 to 2 months	1,710,417	1,156,531
> 2 to 3 months	1,103,576	4,794,464
More than 3 months	500,601,795	489,667,213
	₱508,982,286	₱549,860,720

As of December 31, 2023 and 2022, the Bank's undrawn portion of committed credit lines amounted to ₱4.0 billion and ₱3.3 billion, respectively. As of December 31, 2023 and 2022, provision on undrawn portion of committed credit lines amounted to ₱132.8 million and ₱208.3 million, respectively (Note 19).

The details of provisions (reversals) under the statements of income follow:

	2023	2022
Loans and receivables (Note 9)	₱1,456,586,418	₱1,206,835,408
Investment properties (Note 12)	12,184,936	103,982,048
Investment securities	(4,894,264)	(17,348,853)
Due from other banks	(13,461,465)	13,572,089
Due from BSP	—	(1,174,300)
Chattel mortgage (Note 14)	674,171	376,044
	₱1,451,089,796	₱1,306,242,436

16. Deposit Liabilities

Interest expense on deposit liabilities consists of:

	2023	2022	2021
Time (Note 29)	₱5,307,552,802	₱2,416,715,820	₱1,142,132,528
LTNCD	260,840,070	295,891,550	393,609,027
Demand (Note 29)	50,405,931	54,394,093	55,002,193
Savings	44,377,682	44,392,032	46,490,171
	₱5,663,176,485	₱2,811,393,495	₱1,637,233,919

Peso-denominated deposit liabilities earn annual fixed interest rates ranging from 0.10% to 6.25% in 2023, from 0.10% to 6.00% in 2022 and 2021, while foreign currency-denominated deposit liabilities earn annual fixed interest rates ranging from 0.05% to 6.25% in 2023, from 0.05% to 0.25% in 2022 and from 0.05% to 0.38% in 2021. Effective interest rates on deposit liabilities range from 0.10% to 5.30% in 2023, from 0.10% to 3.94% in 2022, and from 0.10% to 3.95% in 2021.

In 2023, the Bangko Sentral ng Pilipinas issued BSP Circular No. 1175 reducing the reserve requirements against deposits to 2.00% from 3.00% for thrift banks. As of December 31, 2023 and 2022, Due from BSP amounting to ₱3.3 billion and ₱6.3 billion, respectively, was set aside as reserves for deposit liabilities. As reported to the BSP, the Bank is in compliance with such regulations as of December 31, 2023 and 2022.



On December 8, 2016, the BSP authorized the Bank to issue LTNCDs up to ₱10.0 billion through one or multiple tranches over a period of one year. On January 30, 2017, the Bank issued the first tranche of LTNCDs amounting to ₱3.4 billion with a tenor of five (5) years and three (3) months and due on April 30, 2022 with interest rate of 3.50% per annum payable quarterly. The minimum investment size for the LTNCDs is ₱50,000 with increments of ₱50,000 thereafter. Subject to BSP Rules, the Bank has the option to pre-terminate the LTNCDs as a whole but not in part, prior to maturity and on any interest payment date at face value plus accrued interest covering the accrued and unpaid interest.

On July 13, 2018, the BSP authorized the Bank to issue LTNCDs up to ₱15.0 billion through one or multiple tranches over a period of one year. On August 9, 2018, the Bank issued the first tranche of LTNCDs amounting to ₱5.1 billion with a tenor of five (5) years and six (6) months and due on February 9, 2024 with interest rate of 5.00% per annum payable quarterly. The minimum investment size for the LTNCDs is ₱50,000 with increments of ₱50,000 thereafter. Subject to BSP Rules, the Bank has the option to pre-terminate the LTNCDs as a whole but not in part, prior to maturity and on any interest payment date at face value plus accrued interest covering the accrued and unpaid interest.

As of December 31, 2023 and 2022, deferred financing cost on LTNCDs amounted to ₱0.3 million and ₱6.9 million, respectively. Amortization of deferred financing cost amounted to ₱6.6 million and ₱9.8 million in 2023 and 2022, respectively.

17. Bills Payable and Bonds Payable

Bills Payable

As of December 31, 2023, these include SSURA amounting to ₱271.9 million which pertains to borrowings from counterparties secured by pledge of government securities with maturities ranging from 7 to 65 days and annual interest rate ranges from 4.79% to 5.91%. As of December 31, 2022, SSURA amounted to ₱1.2 billion with maturities ranging from 48 to 61 days and annual interest rate ranges from 5.05% to 5.09%.

Interest expense on bills payable in 2023, 2022, and 2021 amounted to ₱35.3 million, ₱21.9 million, and ₱42.0 thousand, respectively (Note 29).

Bonds Payable

On February 4, 2020, the Bank issued fixed rate bonds amounting to ₱4.7 billion with a tenor of three (3) years and due on February 4, 2023 with interest rate of 4.5% per annum payable quarterly. The minimum investment size for the bonds payable is ₱0.5 million with increments of ₱0.1 million thereafter. As of December 31, 2022, the carrying amount of these bonds is ₱4.6 billion. Debt issuance cost related to the issuance amounted to ₱42.7 million.

Interest expense incurred on bonds due in 2023 amounted to ₱20.7 million in 2023, ₱224.0 million in 2022 and ₱223.4 million in 2021. Amortization of debt issuance costs amounted to ₱1.6 million in 2023, ₱14.8 million in 2022 and ₱14.2 million in 2021.

On July 24, 2019, the Bank issued fixed rate bonds amounting to ₱6.3 billion with a tenor of two (2) years and due on July 24, 2021 with interest rate of 5.6% per annum payable quarterly. The minimum investment size for the bonds payable is ₱0.5 million with increments of ₱0.1 million thereafter. Debt issuance cost related to the issuance amounted to ₱56.9 million. The ₱6.3 billion fixed rate bonds matured in July 2021.

Interest expense incurred on bonds due in 2021 amounted to ₱214.1 million in 2021, while amortization of debt issuance costs amounted to ₱17.1 million.



18. Accrued Taxes, Interest and Other Expenses

This account consists of:

	2023	2022
Accrued interest payable	₱515,706,331	₱505,829,516
Accrued other taxes and licenses payable	304,180,386	266,157,660
Accrued other expenses payable (Note 29)	1,843,650,786	1,734,229,560
	₱2,663,537,503	₱2,506,216,736

Accrued other expenses payable consists of:

	2023	2022
Litigation	₱627,167,507	₱587,480,311
Compensation and fringe benefits	597,067,561	392,066,163
Insurance (Note 29)	189,856,417	210,077,209
Information technology (Note 29)	148,708,322	153,439,962
Repairs and maintenance	50,282,060	62,182,060
Security, messengerial and janitorial	39,070,448	81,558,182
Rental - ATM Offsites	37,989,751	39,542,282
Advertising	34,173,067	64,536,154
ATM maintenance	24,040,826	31,025,175
Donations	23,369,956	13,355,355
Membership, fees and dues	3,773,951	3,773,951
Miscellaneous	68,150,920	95,192,756
	₱1,843,650,786	₱1,734,229,560

Compensation and fringe benefits include bonuses, as well as medical, dental and hospitalization benefits.

Miscellaneous include accruals for utilities and maintenance and other expenses.

19. Other Liabilities

This account consists of:

	2023	2022
Financial liabilities		
Accounts payable (Note 29)	₱1,998,393,906	₱2,087,042,216
Lease liabilities (Note 25)	1,181,200,923	1,322,931,895
Other credits	169,937,805	169,110,872
Bills purchased – contra (Note 9)	42,243,033	—
Overages	4,108,652	3,226,191
Deposit for keys – SDB	741,645	749,270
	3,396,625,964	3,583,060,444

(Forward)



	2023	2022
Non-financial liabilities		
Net retirement liability (Note 24)	₱241,017,602	₱—
Sundry credits	222,364,272	149,968,105
Provision on undrawn portion of committed credit lines (Note 15)	132,829,383	208,286,386
Withholding taxes payable	116,772,129	120,565,498
Due to the Treasurer of the Philippines SSS, Medicare, ECP and HDMF premium payable	36,437,950	20,417,050
Miscellaneous (Note 29)	20,016,801	17,276,348
	40,870,530	54,793,755
	810,308,667	571,307,142
Total	₱4,206,934,631	₱4,154,367,586

Accounts payable includes payable to suppliers and service providers, and loan payments and other charges received from customers in advance.

Other credits represent long-outstanding unclaimed cashier's checks.

Sundry credits represent various items or transactions which cannot be classified immediately under any credit account and subsequently classified to proper credit accounts the following month.

As of December 31, 2023 and 2022, miscellaneous liabilities include incentives for housing loan customers that are compliant with the payment terms amounting to nil and ₱16.1 million, respectively.

20. Maturity Analysis of Assets and Liabilities

The following table shows an analysis of assets and liabilities analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from the statement of condition dates (in thousands):

	December 31			December 31		
	2023	2023	2023	2022	2022	2022
	Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
Financial Assets						
Cash and other cash items	₱1,653,555	₱—	₱1,653,555	₱1,930,720	₱—	₱1,930,720
Due from BSP - gross	9,745,634	—	9,745,634	37,553,244	—	37,553,244
Due from other banks - gross	1,765,439	—	1,765,439	2,925,164	—	2,925,164
Interbank loans receivable and SPURA - gross (Note 7)	6,989,636	—	6,989,636	2,669,609	—	2,669,609
FVTPL investments (Note 8)	414,298	—	414,298	36	—	36
Financial assets at FVOCI (Note 8)	52,558,045	1,801,649	54,359,694	68,059,345	1,601,371	69,660,716
Investment securities at amortized cost - gross (Note 8)	1,545,720	28,361,334	29,907,054	1,040,479	29,400,379	30,440,858
Loans and receivables - gross (Note 9)	13,806,138	115,236,813	129,042,951	14,010,117	101,652,600	115,662,717
Other assets* (Note 14)	236,741	164,273	401,014	31,219	172,131	203,350
	88,715,206	145,564,069	234,279,275	128,219,933	132,826,481	261,046,414
Nonfinancial Assets						
Investment in a joint venture (Note 10)	—	870,179	870,179	—	816,285	816,285
Property and equipment - gross (Note 11)	—	8,651,605	8,651,605	—	8,370,034	8,370,034
Investment properties - gross (Note 12)	—	4,626,023	4,626,023	—	4,717,707	4,717,707
Deferred tax assets (Note 27)	—	1,257,608	1,257,608	—	280,114	280,114
Intangible assets and goodwill - gross	—	404,410	404,410	—	436,742	436,742
Other assets - gross** (Note 14)	276,873	736,797	1,013,670	246,041	620,804	866,845
	276,873	16,546,622	16,823,495	246,041	15,241,686	15,487,727
Less: Allowance for credit and impairment losses (Note 15)			6,383,451			6,039,911
Accumulated depreciation and amortization (Notes 11, 12, 13 and 14)			6,171,020			5,887,948
Unearned discounts and capitalized interest (Note 9)			115,003			185,273
			12,669,474			12,113,132
			₱238,433,296			₱264,421,009

* Other assets under financial assets comprise security deposits, liquidity requirement for electronic money products, RCOCL, petty cash fund, shortages and other investments

** Other assets under nonfinancial assets comprise chattel mortgage properties, net retirement assets, prepayments, documentary stamps on hand, stationeries and supplies on hand, creditable withholding tax, inter-office float items, sundry debits, deferred charges, postages stamps.



	December 31					
	2023			2022		
	Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
Financial Liabilities						
Deposit liabilities (Note 16)	₱174,454,708	₱15,167,996	₱189,622,704	₱193,445,791	₱20,326,402	₱213,772,193
Bills payable	271,896	—	271,896	1,185,945	—	1,185,945
Bonds payable (Note 17)	—	—	—	4,648,450	—	4,648,450
Treasurer's, cashier's and manager's checks	1,514,066	—	1,514,066	1,014,226	—	1,014,226
Accrued other expenses payable (Note 18)	1,843,651	—	1,843,651	1,734,229	—	1,734,229
Accrued interest payable (Note 18)	515,706	—	515,706	505,830	—	505,830
Other liabilities* (Note 19)	2,574,961	821,665	3,396,626	2,654,199	928,861	3,583,060
	181,174,988	15,989,661	197,164,649	205,188,670	21,255,263	226,443,933
Nonfinancial Liabilities						
Accrued other taxes and licenses payable (Note 18)	304,180	—	304,180	266,158	—	266,158
Other liabilities** (Note 19)	551,507	258,802	810,309	400,922	170,385	571,307
	855,687	258,802	1,114,489	667,080	170,385	837,465
	₱182,030,675	₱16,248,463	₱198,279,138	₱205,855,750	₱21,425,648	₱227,281,398

* Other liabilities under financial liabilities comprise accounts payable, lease liabilities, bills purchased contra, other credits, overages, and deposit for safety deposit box.

** Other liabilities under nonfinancial liabilities comprise provision on undrawn portion of committed credit lines, withholding taxes payable, sundry credits, due to the treasurer of the Philippines, SSS, Medicare, ECP & HDMF premium payable, and miscellaneous liabilities.

21. Equity

Issued Capital

As of December 31, 2023 and 2022, the Bank's capital stock consists of:

	2023		2022	
	Shares	Amount	Shares	Amount
Authorized common stock - ₱10.0 par value	600,000,000	₱6,000,000,000	600,000,000	₱6,000,000,000
Issued and outstanding				
Beginning balance	426,859,416	₱4,268,594,160	426,859,416	₱4,268,594,160
Ending balance	426,859,416	₱4,268,594,160	426,859,416	₱4,268,594,160

The Bank became listed in the Philippine Stock Exchange (PSE) on October 10, 1994. Subsequently, the SEC approved the increase in the capital stock of the Bank. The summarized information on the Bank's registration of securities under the Securities Regulation Code follows:

Date of SEC Approval	Type	Authorized Shares	Par Value
August 16, 1995	Common	300,000,000	₱10
October 8, 1997	Common	425,000,000	₱10

As of December 31, 2023 and 2022, the total number of stockholders is 1,438, and 1,443, with share price closed at ₱53.0 and ₱56.5, respectively.

On November 28, 2018, the PSE approved the application of the Bank for the listing of additional 142,856,925 common shares to cover the Bank's 1:1.68177 stock rights offering at an offer price of 56.0 per share or additional capital of ₱8.0 billion. The Bank successfully completed 8.0 billion stock rights offer and shares were listed on January 18, 2019 in the PSE. Capital paid in excess of par related to the offering amounted to ₱6.5 billion, net of transactions costs of ₱101.5 million.

On March 12, 2019, the BOD approved (a) the amendment of the AOI to increase the authorized capital stock from ₱4.3 billion to ₱6.0 billion and (b) the declaration of a 11.42% stock dividend equivalent to 43,750,000 shares amounting to ₱2.6 billion representing the minimum 11.42% subscription and paid-up capital for the increase in the authorized capital stock of the Bank which were ratified by the stockholders representing at least 2/3 of the outstanding capital stock on April 15, 2019. These were approved by BSP on August 8, 2019 and by the SEC on November 20, 2019. Following this, the authorized capital stock of the Bank increased from



₱4.3 billion to ₱6.0 billion consisting of 600.0 million common shares with par value of ₱10.00 per share.

On January 16, 2020, the Bank received the SEC order fixing the record date of the 11.42% stock dividend on January 31, 2020. The 11.42% stock dividend was issued on February 21, 2020 with record date on January 31, 2020. On February 17, 2020, the PSE approved the listing of such stock dividend. Capital paid in excess of par related to the issuance of stock dividend amounted to ₱2.1 billion.

Dividends Paid and Proposed

Details of the Bank's dividend distributions as approved by the Bank's BOD and the BSP follow:

Cash Dividends				
Date of declaration	Per share	Total amount	Record date	Payment date
January 21, 2021	0.75	320,144,562	February 5, 2021	February 22, 2021
April 26, 2021	0.75	320,144,562	May 11, 2021	May 26, 2021
July 22, 2021	0.75	320,144,562	August 6, 2021	August 23, 2021
October 21, 2021	0.75	320,144,562	November 8, 2021	November 22, 2021
January 17, 2022	0.75	320,144,562	February 2, 2022	February 16, 2022
April 25, 2022	0.75	320,144,562	May 11, 2022	May 21, 2022
July 21, 2022	0.75	320,144,562	August 5, 2022	August 22, 2022
October 20, 2022	0.75	320,144,562	November 7, 2022	November 21, 2022
January 26, 2023	0.75	320,144,562	February 10, 2023	February 27, 2023
April 27, 2023	0.75	320,144,562	May 15, 2023	May 29, 2023
July 20, 2023	0.75	320,144,562	August 4, 2023	August 22, 2023
October 19, 2023	0.75	320,144,562	November 8, 2023	November 20, 2023

Stock Dividends				
Date of declaration	Per share	Total amount	Record date	Payment date
March 12, 2019	11.42%	₱-	January 31, 2020	February 21, 2020

On October 9, 2015, the BSP issued Circular No. 888, Amendments to Regulations on Dividend Declaration and Interest Payments on Tier 1 Capital Instruments, which liberalized said rules in the sense that prior BSP verification and approval is no longer required except for banks with major supervisory concerns. However, banks are bound to comply with the provisions of Section X136 of the Manual of Regulations for Banks (MORB) and its subsections, including the submission of documentary requirements under Subsection X136.4 of the MORB. Otherwise, banks, subsequently found to have violated the provisions on dividend declaration or have falsely certified/submitted misleading statements shall be reverted to the prior BSP verification wherein the bank can only make an announcement or communication on the declaration of the dividends or payment of dividends thereon upon receipt of BSP advice thereof. The Bank is compliant with the said circular.

The computation of surplus available for dividend declaration in accordance with SEC Memorandum Circular No. 11 issued in December 2008 differs to a certain extent from the computation following BSP guidelines.

In compliance with BSP regulations, 10.00% of the Bank's profit from trust business is appropriated to surplus reserves. This annual appropriation is required until the surplus reserves for trust business equals 20.00% of the Bank's authorized capital stock.

A portion of the surplus corresponding to the accumulated net earnings of a joint venture is not available for dividend declaration until receipt of cash dividends from the investee.



Capital Management

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements, as mandated by the BSP, and that the Bank maintains healthy capital ratios in order to support its business and maximize returns for its shareholders. The Bank considers its paid in capital and surplus as its capital.

The Bank manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payments to shareholders or issue capital securities. The major activities in this area include the following:

- The Bank issued additional common shares for its qualified stockholders in 2008 and 2006 through stock rights offerings that raised ₱2.0 billion and ₱750.0 million in capital, respectively.
- On October 21, 2016, the BOD approved the Bank's updated Dividend Policy which provides, among others, the declaration and payment of cash dividends at a rate of ₱0.75 per share on a quarterly basis unless approved by a majority vote of the BOD at a different rate or otherwise restricted/prohibited from declaring/paying dividends.

Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's unimpaired capital (regulatory capital) as reported to the BSP. This is determined on the basis of regulatory accounting policies which differ from PFRS in some respects.

In addition, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% for both solo basis and consolidated basis. Qualifying capital and risk-weighted assets are computed based on BSP regulations.

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 Monetary Board of the BSP.

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

On March 29, 2022, the BSP issued Circular No. 1142, Amendments to the Guidelines on the Computation of Minimum Required Capital and Risk-Based Capital Adequacy Ratio, which provides amended guidelines on the computation of the minimum required capital and the risk-based capital adequacy ratio.

The Bank considered BSP regulations, which set out a minimum CET1 ratio of 6.00% and Tier 1 capital ratio of 7.50%, and require capital conservation buffer of 2.50% comprised of CET1 capital. The BSP's existing requirement for Total CAR remains unchanged at 10.00% and these ratios shall be maintained at all times.



The CAR of the Bank as of December 31, as reported to the BSP, based on BSP Circular No. 781 and BSP Circular No. 538, respectively, are shown in the table below (amounts in millions).

	2023	2022
Tier 1 capital	₱38,876	₱35,685
CET1 capital	38,876	35,685
Less: Required deductions	2,998	2,164
Total Tier 1 Capital	35,878	33,521
Total Tier 2 capital	1,368	1,193
Total qualifying capital	37,246	34,714
Risk weighted assets	₱152,250	₱139,713
Tier 1 ratio	23.56%	23.99%
CET1 ratio	23.56%	23.99%
Capital adequacy ratio	24.46%	24.85%

Regulatory qualifying capital consists of Tier 1 (going concern) capital, which comprises capital stock, surplus, surplus reserves, net unrealized gains on FVOCI securities, cumulative foreign currency translation and remeasurements of net defined benefit asset. Certain adjustments are made to PFRS-based results and reserves, as prescribed by the BSP. The other component of regulatory capital is Tier 2 (gone-concern) capital, which is comprised of the Bank's general loan loss provision. Certain items are deducted from the regulatory Gross Qualifying Capital, such as but not limited to, outstanding unsecured credit accommodations, both direct and indirect, to DOSRI, and unsecured loans, other credit accommodations, and guarantees granted to subsidiaries and affiliates (net of specific provisions), deferred tax assets, goodwill, other intangible assets and significant minority investments in a joint venture.

Risk-weighted assets are determined by assigning defined risk weights to amounts of on-balance sheet exposures and to the credit equivalent amounts of off-balance sheet exposures.

As of December 31, 2023 and 2022, the Bank has complied with the requirements of BSP Circular No. 781 and BSP Circular No. 538.

On October 29, 2014, the BSP issued Circular No. 856 which covers the implementing guidelines on the framework for dealing with domestic systemically important banks (DSIBs) in accordance with the Basel III standards. Banks identified as DSIBs shall be required to have higher loss absorbency, on top of the minimum CET1 capital and capital conservation buffer. Compliance with this requirement was phased-in starting January 1, 2017, with full compliance on January 1, 2019. On September 27, 2019, the BSP issued Circular No. 1051 which covers the enhancements in the assessment methodology of D-SIBs. The Bank has complied with this requirement.

The issuance of BSP Circular No. 639 covering the Internal Capital Adequacy Assessment Process (ICAAP) in 2009 supplements the BSP's risk-based capital adequacy framework under BSP Circular No. 538. In compliance with this new circular, the Metrobank Group has adopted and developed its ICAAP framework to ensure that appropriate level and quality of capital are maintained by the Group. Under this framework, the assessment of risks extends beyond the Pillar 1 set of credit, market and operational risks and onto other risks deemed material by the Group. The level and structure of capital are assessed and determined in light of the Group's business environment, plans, performance, risks and budget, as well as regulatory directives. The Bank follows the Group's ICAAP framework and submits the result of its assessment to the Parent Company. Per BSP Circular No. 869, effective January 31, 2015, submission of an ICAAP document is required by BSP every March 31 of each year. The Bank has complied with this requirement.



The Bank has taken into consideration the impact of the foregoing requirements to ensure that the appropriate level and quality of capital are maintained on an ongoing basis.

BASEL III Leverage Ratio (BLR)

On June 9, 2015, the BSP issued Circular No. 881 covering the implementing guidelines on the Basel III Leverage Ratio Framework which is designed to act as a supplementary measure to the risk-based capital requirements and shall not be less than 5.0 percent. The monitoring period has been set every quarter starting December 31, 2014 and extended until June 30, 2018 under BSP Circular No. 990 issued on January 22, 2018. Effective July 1, 2018, the monitoring of the leverage ratio was implemented as a Pillar I minimum requirement.

The Basel III Leverage Ratio is designed to act as a supplementary measure to the risk-based capital requirements. The Basel III Leverage Ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as percentage. Capital measure is the Tier 1 capital. Exposure measure is the sum of on-balance sheet exposures, derivative exposures, security financing exposures and off-balance sheet items. The leverage ratio shall not be less than 5.0 percent computed on both solo (head office plus branches) and consolidated bases (including subsidiary financial allied undertakings but excluding insurance companies).

As of December 31, 2023 and 2022, the Bank maintains these ratios above minimum requirements as shown in the table below (in millions):

	December 31, 2023	December 31, 2022
A. Capital Measure	₱35,878	₱33,521
B. Exposure Measure	236,514	263,482
C. Basel III Leverage Ratio (A/B)	15.17%	12.72%

Liquidity Coverage Ratio (LCR)

On March 10, 2016 and February 8, 2018, the BSP issued Circular Nos. 905 and 996, respectively, which include guidelines on LCR, and LCR disclosure standards that are consistent with the Basel III framework. The LCR is the ratio of high-quality liquid assets (HQLAs) to total net cash outflows. To promote the short-term resilience of the liquidity risk profile of the Bank, it shall maintain an adequate stock of unencumbered HQLAs that consists of cash or assets that can be converted into cash at little or no loss of value in private markets, to meet its liquidity needs under stressed conditions. The stock of liquid assets should enable the Bank to withstand significant liquidity shocks for at least thirty (30) calendar days, which would give time for corrective actions to be taken by the Bank's management and/or the BSP.

On March 15, 2019, the BSP issued Circular No. 1035 which approved the: (1) extension of the observation period of the minimum Basel III LCR requirement to December 31, 2019 for subsidiary banks and quasi-banks (QBs) of universal and commercial banks (U/KBs), (2) adoption of a seventy percent (70.00%) LCR floor for subsidiary banks and QBs during the observation period, (3) minimum requirement of one hundred (100.00%) starting January 1, 2020. As of December 31, 2023 and 2022, the LCR in single currency as reported to the BSP, is 167.91% and 158.70%, respectively.

Net Stable Funding Ratio (NSFR)

On June 6, 2018, the BSP issued Circular No. 1007, covering the implementing guidelines on the adoption of the Basel III Framework on Liquidity Standards - NSFR. The NSFR limits overreliance on short-term wholesale funding and promotes enhanced assessment of funding risk across all on- and off-balance sheet accounts. The NSFR complements the LCR, which promotes short term resilience of the Bank's liquidity profile. The covered bank shall maintain an NSFR of at least 100.0 percent at



all times. Compliance with this requirement was phased-in effective July 1, 2018, with full implementation of the minimum NSFR on January 1, 2019.

On March 15, 2019, the BSP issued Circular No. 1034 which approved the extension of the observation period for the Basel III Framework on Liquidity Standards - NSFR for subsidiary banks/quasi-banks.

The implementation of the minimum NSFR shall be phased in to help ensure that the covered banks/QBs can meet the standard through reasonable measures without disrupting credit extension and financial market activities. In order to facilitate compliance, covered banks/QBs shall undergo an observation period before the NSFR becomes a minimum requirement. Subsidiary banks/QBs of U/KBs shall be subject to an NSFR floor of seventy percent (70.00%) during the observation period. Starting January 1, 2020, the minimum NSFR for subsidiary banks/quasi-banks of universal and commercial banks (UBs/KBs) shall be 100.00%. As of December 31, 2023 and 2022, the NSFR as reported to the BSP is at 139.01% and 148.49%, respectively.

Basel III Countercyclical Capital Buffer

On December 6, 2018, the BSP issued Circular No. 1024 covering the Philippine adoption of the Basel III Countercyclical Capital Buffer (CCyB) which imposed the following capital buffers:

- Capital Conservation buffer (CCB) of two and a half percent (2.50%); and
- Countercyclical capital buffer (CCyB) of zero percent (0.00%) subject to upward adjustment to a rate determined by the Monetary Board of the BSP when systemic conditions warrant but not to exceed two and a half percent (2.50%). Any increase in the CCyB rate shall be effective 12 months after its announcements. Decreases shall be effective immediately.

The prescribed ratios shall be maintained at all times.

22. Net Service Fees and Commission Income

This account consists of:

	2023	2022	2021
Service Fees and Commission Income			
Credit-related fees and commissions	₱1,140,696,592	₱1,114,725,360	₱1,056,749,812
Deposit-related and other fees received (Note 29)	605,852,203	571,145,496	478,174,952
Trust fees	46,194,120	46,971,038	46,202,084
	1,792,742,915	1,732,841,894	1,581,126,848
Service Fees and Commission Expense			
Commissions	59,629,263	45,200,420	42,225,973
Brokerage	5,954,675	6,108,650	5,590,759
	65,583,938	51,309,070	47,816,732
Net Service Fees and Commission Income	₱1,727,158,977	₱1,681,532,824	₱1,533,310,116



23. Miscellaneous Income

This account consists of:

	2023	2022	2021
Recovery of charged-off assets	₱311,361,694	₱339,337,767	₱360,147,032
Insurance commission income	85,545,555	202,199,914	110,057,949
Rental income (Notes 12, 25 and 29)	48,255,017	45,235,373	43,767,739
Others (Notes 9 and 29)	137,698,703	191,002,283	186,458,085
	₱582,860,969	₱777,775,337	₱700,430,805

Rental income arises from the lease of properties and safety deposit boxes of the Bank.

Other miscellaneous income includes renewal fees, checkbook charges, break funding cost and other miscellaneous income. Accretion of modified loans amounted to ₱70.1 million, ₱107.0 million and ₱134.6 million in 2023, 2022 and 2021, respectively (Note 9).

24. Retirement Benefits

The Bank has a funded, noncontributory defined benefit plan covering substantially all of its employees. The benefits are based on years of service and final compensation.

The plan administered by the Retirement Committee is composed of five (5) members appointed by the BOD of the Bank. The Retirement Committee has all the powers necessary or useful in the discharge of its duties of administration including, but not limited to determining the rights of Members under the Plan. The Retirement Committee may adopt such rules and regulations as it deems necessary and desirable, including those governing the establishment of procedures, the use of necessary forms, and the setting up of minimum periods where notice is required. The Retirement Committee may seek advice of counsel, and may appoint an independent accountant to audit the Plan and actuary to value the plan periodically, whose professional fees and expenses may be charged to the Fund.

Under the existing regulatory framework, RA No. 7641, *Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The date of the latest actuarial valuation is December 31, 2023.

The amounts of pension expense included in 'Compensation and fringe benefits' in the statements of income follow:

	2023	2022
Current service cost	₱226,594,870	₱227,706,990
Net interest cost	(25,701,492)	(20,012,154)
	₱200,893,378	₱207,694,836



The net retirement liability/retirement asset shown under ‘Other liabilities’/‘Other assets’ recognized in the Bank’s statements of condition follows (in thousands):

2023												
	Remeasurements in other comprehensive income											
	January 1, 2023	Net benefit cost			Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Subtotal	Contribution by employer	December 31, 2023
		Current service cost	Net Interest	Subtotal								
Present value of defined benefit obligation	₱3,184,063	₱226,595	₱215,671	₱442,266	(₱243,768)	₱–	₱48,880	₱–	₱419,956	₱468,836	₱–	₱3,851,397
Fair value of plan assets	(3,387,473)	–	(241,373)	(241,373)	243,768	38,699	–	–	–	38,699	(264,000)	(3,610,379)
Net retirement liability (Note 19)	(₱203,410)	₱226,595	(₱25,702)	₱200,893	₱–	₱38,699	₱48,880	₱–	₱419,956	₱507,535	(₱264,000)	₱241,018
2022												
	Remeasurements in other comprehensive income											
	January 1, 2022	Net benefit cost			Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Subtotal	Contribution by employer	December 31, 2022
		Current service cost	Net Interest	Subtotal								
Present value of defined benefit obligation	₱3,113,055	₱227,707	₱147,479	₱375,186	(₱258,642)	₱–	₱89,847	₱–	(₱135,383)	(₱45,536)	₱–	₱3,184,063
Fair value of plan assets	(3,354,894)	–	(167,491)	(167,491)	258,642	199,720	–	–	–	199,720	(323,450)	(3,387,473)
Net retirement asset (Note 14)	(₱241,839)	₱227,707	(₱20,012)	₱207,695	₱–	₱199,720	₱89,847	₱–	(₱135,383)	₱154,184	(₱323,450)	(₱203,410)

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

The Bank expects to contribute ₱267.3 million to its noncontributory defined benefit plan in 2024.



The fair values of plan assets by each class as at the statements of condition date are as follows:

	2023	2022
Investment in debt securities		
Government	₱2,451,193,421	₱1,910,076,151
Private	920,955,224	559,534,342
Special deposit account	85,080,009	783,385,635
Unit Investment Trust Fund (UITF)	44,473,708	42,561,098
Investment in equity securities	88,278,813	77,507,699
Other assets	23,509,325	17,327,104
	3,613,490,500	3,390,392,029
Other liabilities	3,111,617	2,919,504
	₱3,610,378,883	₱3,387,472,525

The person exercising voting right for the foregoing equity instruments is currently a senior officer of the Bank.

The principal actuarial assumptions used in determining retirement liability as of December 31, 2023 and 2022 are shown below:

	2023	2022
Discount rate	6.06%	7.11%
Turnover rate	3.63%, 10.23%	3.63%, 10.23%
Future salary increases	6.00%	5.50%

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:

	December 31, 2023		December 31, 2022	
	Possible Fluctuations	Increase (decrease)	Possible Fluctuations	Increase (decrease)
Discount rate	+1.00%	(₱273,484,652)	+1.00%	(₱220,438,919)
	-1.00%	309,243,597	-1.00%	248,784,290
Turnover rate	+1.00%	(41,410,835)	+1.00%	(4,330,091)
	-1.00%	46,374,122	-1.00%	4,161,186
Future salary increase rate	+1.00%	325,011,656	+1.00%	265,814,360
	-1.00%	(292,242,782)	-1.00%	(239,077,385)

The Retirement Committee ensures that there will be sufficient assets to pay pension benefits as they fall due and maintains the plan on an actuarially sound basis considering the benefits to members.

Shown below is the maturity analysis of the undiscounted benefit payments:

	2023	2022
Less than one year	₱331,506,031	₱282,910,375
One to less than five years	1,611,315,196	1,407,715,193
Five to less than 10 years	2,435,184,665	2,246,907,514
10 to less than 15 years	3,182,649,515	2,719,152,541
15 to less than 20 years	2,463,811,385	2,489,207,065
20 years and above	1,993,633,106	1,744,550,715



The average duration of the expected benefit payments at the statement of condition date is 9.57 years.

25. Leases

The Bank leases the premises occupied by its branches for periods ranging from 1 to 30 years renewable under certain terms and conditions. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 10.00%.

As of December 31, 2023 and 2022, the carrying amounts of lease liabilities (included in 'Other Liabilities' in Note 19) are as follows:

	2023	2022
Balance at beginning of year	₱1,322,931,895	₱1,278,685,842
Additions	312,921,930	523,368,707
Accretion of interest	78,902,394	79,873,386
Payments	(533,555,296)	(558,996,040)
	₱1,181,200,923	₱1,322,931,895

The Bank recognized interest expense on lease liabilities (included in 'Interest expense' in the statements of income) amounting to ₱78.9 million, ₱79.9 million and ₱85.2 million in 2023, 2022 and 2021, respectively, rent expense from short-term leases and leases of low-value assets amounting (included in 'Occupancy and equipment-related costs' in the statements of income) to ₱111.9 million in 2023, ₱116.2 million in 2022 and ₱130.9 million in 2021.

Future minimum rentals payable under non-cancelable operating leases are as follows:

	2023	2022
Within one year	₱428,533,488	₱469,115,714
After one year but not more than five years	822,505,612	918,298,112
More than five years	110,940,089	145,925,243
	₱1,361,979,189	₱1,533,339,069

The Bank has also entered into commercial property leases on its surplus office space. These non-cancelable leases have remaining non-cancelable lease terms between 1 and 5 years. As of December 31, 2023 and 2022, there is no contingent rental income. Rental income of the Bank related to these property leases amounting to ₱48.3 million, ₱44.1 million, and ₱42.4 million in 2023, 2022 and 2021, respectively are shown under 'Miscellaneous income' in the statements of income (Notes 12 and 23).

Future minimum rentals receivable under non-cancelable operating leases are as follows:

	2023	2022
Within one year	₱17,577,256	₱39,072,786
After one year but not more than five years	20,901,344	38,478,565
	₱38,478,600	₱77,551,351



26. Miscellaneous Expenses

This account consists of:

	2023	2022	2021
Information technology (Note 29)	₱424,653,503	₱407,689,037	₱375,290,002
Insurance (Note 29)	388,308,751	453,534,299	550,608,756
Litigation	242,115,429	429,974,439	442,289,577
Communications	134,362,180	147,148,701	167,554,452
Repairs and maintenance (Note 12)	116,111,217	171,424,078	110,147,726
Fines, penalties and other charges	86,521,098	206,509,947	150,222,885
Supervision and examination fees	73,281,388	75,405,438	75,845,625
Transportation and traveling	57,354,683	52,967,086	50,559,908
Advertising	52,841,936	22,092,410	11,076,666
Stationery and supplies	41,097,311	82,824,439	46,355,039
Management and professional fees	25,393,062	25,473,105	23,048,029
Training and seminars	14,607,368	26,880,748	2,449,846
Banking activities expenses	12,585,850	9,360,794	4,642,771
Donations and charitable contributions	11,148,601	7,122,605	6,812,000
Membership fees and dues	2,937,377	2,699,211	3,827,410
Others	7,526,954	9,614,270	61,472,300
	₱1,690,846,708	₱2,130,720,607	₱2,082,202,992

Insurance expense includes premiums paid to the Philippine Deposit Insurance Corporation (PDIC) amounting to ₱388.3 million, ₱429.2 million, and ₱412.9 million in 2023, 2022 and 2021, respectively.

Other expenses include entertainment, amusement and recreation (EAR), rewards and incentives, meeting allowance, sponsorship expenses, home free loan expenses, appraisal fees and notarial fees. These also include payments to union members amounting to ₱9.5 million, ₱9.4 million and ₱10.1 million in 2023, 2022 and 2021, respectively, for the successful completion of the collective bargaining agreement.

27. Income and Other Taxes

Under Philippine tax laws, the Bank is subject to percentage and other taxes (presented as 'Taxes and licenses' in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp tax (DST). Income taxes include corporate income tax, further discussed below, and final taxes paid at the rate of 20.00%, which is a final withholding tax on gross interest income from government securities and other deposit substitutes.

On March 26, 2021, RA 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% effective July 1, 2020. With the implementation of this Act, the allowable deduction for interest expense was reduced from 33% to 20.00% of the interest income subject to final tax.

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 Bank's income tax liability and taxable income, respectively, over a three-year period from the year of inception. For the taxable years 2020, 2021 and 2022, the



NOLCO incurred can be carried over as a deduction for the next five (5) consecutive taxable years, pursuant to Revenue Regulation (RR) No. 25-2020.

The deferred tax assets and liabilities as of December 31, 2020 were also remeasured using the lower RCIT rate of 25.00%. These reductions were recognized in the 2021 financial statements.

Starting July 1, 2008, the Optional Standard Deduction (OSD) equivalent to 40.00% of gross income may be claimed as an alternative deduction in computing for the RCIT. The Bank elected to claim itemized expense deductions instead of the OSD in computing for the RCIT in 2022 and 2021.

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 regulations, EAR expense allowed as a deductible expense for a service company is limited to the actual EAR paid or incurred but not to exceed 1.00% of net revenue.

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 OBUs is taxed at 15.00% in 2023 and 2022. Under current tax regulations, the income derived by the FCDU from foreign currency transactions with non-residents, OBUs, local commercial banks, including branches of foreign banks, is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10.00% income tax.

Provision for income tax consists of:

	2023	2022	2021
Current:			
Final tax	₱1,131,814,810	₱709,425,111	₱356,565,831
Current income tax	76,759,110	73,891,205	(44,382,280)
	1,208,573,920	783,316,316	312,183,551
Deferred	(850,610,415)	335,219,072	1,414,071,157
	₱357,963,505	₱1,118,535,388	₱1,726,254,708

Net deferred tax assets consist of the following tax effects:

	2023	2022
Deferred tax assets on:		
Retirement benefit obligation	₱376,391,576	₱249,507,924
Unamortized pension cost contribution	149,120,044	158,720,206
Accumulated depreciation of assets foreclosed or dacioned	103,472,613	97,763,184
Allowance for credit and impairment losses	952,022,697	66,874,352
Net effect of lease liabilities and ROU assets	48,590,683	54,055,554
Loan modification	21,513,010	46,215,270
Net unrealized gain on fair value of FVOCI	3,867,981	4,618,954
Unrealized foreign exchange gains	334,414	1,984,235
	1,655,313,018	679,739,679
Deferred tax liabilities on:		
Net unrealized gain on investment properties	(397,705,408)	(399,626,135)
	(397,705,408)	(399,626,135)
	₱1,257,607,610	₱280,113,544



Income tax effect credited (debited) in OCI amounted to ₱126.9 million, ₱38.5 million, and (₱48.4 million) (excluding impact of CREATE) in 2023, 2022, and 2021, respectively.

As of December 31, 2023 and 2022, the Bank did not recognize deferred tax assets on the following temporary differences:

	2023	2022
Allowance for credit and impairment losses	₱2,708,935,506	₱5,981,653,248
Excess MCIT over RCIT	—	70,226,677
	₱2,708,935,506	₱6,051,879,925

The Bank believes that it is not reasonably probable that the tax benefits of these temporary differences will be realized in the future.

Details of the excess MCIT over RCIT credits of the Bank follow:

	Amount	Used/Expired	Balance	Expiry Year
2021	₱34,998,663	₱34,998,663	₱—	2024
2022	35,228,014	35,228,014	—	2025
	₱70,226,677	₱70,226,677	₱—	—

The reconciliation between the statutory income tax and effective income tax follows (in thousands):

	2023	2022	2021
Statutory income tax	₱1,222,256	₱1,199,241	₱816,437
Tax effects of:			
Change in unrecognized DTA	(888,406)	(137,478)	1,073,320
Non-taxable, tax-paid and tax-exempt income	(307,780)	(245,782)	(425,082)
Nondeductible expenses	306,566	233,564	161,201
Effect of change in tax rate	—	—	174,295
FCDU income	(11,467)	(74,895)	(87,686)
Others	36,795	143,885	13,770
Effective income tax	₱357,964	₱1,118,535	₱1,726,255

28. Earnings Per Share

The following table presents information used to calculate basic EPS:

	2023	2022	2021
a. Net income	₱4,531,061,864	₱3,678,428,259	₱1,539,492,720
b. Weighted average number of common shares for basic earnings per share	426,859,416	426,859,416	426,859,416
c. Basic/Diluted EPS (a/b)	₱10.61	₱8.62	₱3.61

As of December 31, 2023, 2022 and 2021, there were no potential common shares with dilutive effect on the basic EPS of the Bank.



29. 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 Bank's related parties are as follows:

- Bank's Directors, Officers, Stockholders and their Related Interests (DOSRI) as defined per BSP's existing DOSRI rules and regulations;
- Close Family Members (i.e., second degree relatives) of the Bank's Directors, Officers with rank of SVP and up, and Individual Substantial Stockholders;
- Bank's Subsidiaries and Affiliates as defined per BSP's existing rules and regulations on lending to subsidiaries and affiliates;
- Any party that the Bank exerts direct or indirect control over or that exerts direct or indirect control over the Bank;
- Subsidiaries, Affiliates and Special Purpose Entities (SPEs) of any party that the Bank exerts direct or indirect control over or that exerts direct or indirect control over the Bank;
- Corresponding Persons in Affiliated Companies as defined in the Bank's Related Party Transaction (RPT) Policy; and
- Any natural person or juridical entity whose interest may pose potential conflict with the Bank's interest.

The Bank has several business relationships with related parties. The terms of the transactions with such parties are listed below on substantially the same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties, and are usually settled in cash. These transactions also did not involve more than the nominal risk of collectability or present other unfavorable conditions.

Transactions with the Retirement Plan

On December 20, 2012, the SEC issued Memorandum Circular No. 12 providing for guidelines on the disclosure of transactions with retirement benefit funds. Under said circular, a reporting entity shall disclose information about any transaction with a related party (retirement fund, in this case) and outstanding balances necessary for an understanding of the potential effect of the relationship on the financial statements.

Under PFRS, certain post-employment benefit plans are considered as related parties. The Bank has business relationships with its retirement plan pursuant to which it provides trust and management services to the said plan. The retirement plan of the employees of the Bank is being managed and maintained by the Trust Division of the Bank. The total fair value of the retirement fund as of December 31, 2023 and 2022 amounted to ₱3.6 billion and ₱3.4 billion, respectively. The details of the assets of the fund as of December 31, 2023 and 2022 are disclosed in Note 24.

The following table shows the amount of outstanding balances of related party transactions of the Bank with the retirement plan of the employees of the Bank as of December 31, 2023 and 2022:

Related Party	Nature of Transaction	2023	
		Statement of Condition	Statement of Income
Philippine Savings Bank	Savings Deposit	₱5,081,077	₱-
	Investment in Money Market Fund*	44,473,708	-
	Income from UITF**	-	1,913,824
	Interest income	-	15,523
First Metro ETF	Equity investment***	25,255,881	-

*Includes fair value gains of ₱2.0 million

**Includes fair value gains of ₱1.5 million

***Includes fair value loss of ₱1.7 million



Related Party	Nature of Transaction	2022	
		Statement of Condition	Statement of Income
Philippine Savings Bank	Savings Deposit	₱15,941,513	₱—
	Investment in Money Market Fund*	42,561,098	—
	Income from UITF**	—	572,585
	Interest income	—	24,291
First Metro ETF	Equity investment***	24,837,819	—
*Includes fair value gains of ₱0.1 million			
**Includes fair value loss of ₱0.04 million			
***Includes fair value loss of ₱0.35 million			

Transactions relating to the Bank's retirement plan are approved by its Retirement Committee. The voting right over the investments in the Bank's capital stocks is exercised by a member of the Retirement Committee as approved by all members of the Retirement Committee, whom are senior officers of the Bank.

Remunerations of Directors and Other Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly. The Bank considers the members of the Management Committee to constitute key management personnel for purposes of PAS 24, *Related Party Disclosures*.

Total remunerations of key management personnel (covering assistant vice presidents and up) included under 'Compensation and fringe benefits' in the statements of income are as follows:

	2023	2022
Short-term employee benefits	₱399,163,834	₱369,283,571
Post-employment pension benefits	2,694,653	1,272,282
	₱401,858,487	₱370,555,853

Short-term employee benefits include salaries and other non-monetary benefits.

Remunerations given to directors, as approved by the Board Remuneration Committee, amounted to ₱19.1 million, ₱21.5 million, and ₱22.1 million in 2023, 2022, and 2021, respectively.

The Bank also provides banking services to directors and other key management personnel and persons connected to them.

Other Related Party Transactions

Other related party transactions of the Bank by category of related party are presented below. The following tables show the amount and outstanding balances included in the financial statements (in thousands):

Category	December 31, 2023		
	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Parent Company			
Due from other banks	(₱462,999)	₱1,129,054	Short term peso and foreign-currency denominated deposits with fixed rates ranging from 0.00% to 5.00%
Financial assets at amortized cost	—	60,000	Pledged for security of payroll account with MBTC
Interbank loans receivable	—	—	Peso denominated lending with fixed interest rate ranging from 6.19% to 6.41% maturities ranging from 1 to 5 days, secured -
Placements	27,000,000	—	Php 0.00
Maturities	(27,000,000)	—	
Accounts receivable	2,118	3,424	Outstanding ATM service fees, rental and utility receivables, non-interest bearing; no impairment
Miscellaneous assets	857	857	Security deposits on lease contracts
Miscellaneous liabilities	1,189	3,558	Advance payments of security deposits from various tenants

(Forward)



December 31, 2023			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Deposit liabilities	₱–	₱36,782	Short term peso and foreign-currency denominated deposits
Accrued other expense payable	(128,137)	25,303	Outstanding information technology expense payable
Interest income	9,717	–	Income on deposits and interbank loans receivables
Rental income	9,039	–	Income from leasing agreements with various lease terms ranging from 1 to 5 years
Rent expense	122	–	Payment of rent
Information technology expense	112,411	–	Payment of information technology transactions
Securities transactions			
Outright purchases	60,000	–	Outright purchase of FVOCI investments
Joint Venture			
Investment in a joint venture	27,564	843,849	Outstanding balance of capital investment in SMFC
Dividends from joint venture	57,600	–	Dividends from SMFC
Accounts receivable	(716)	285	Outstanding rental and utility receivables, non-interest bearing
Deposit liabilities	313,170	389,051	Short term peso time-deposits deposits with annual fixed rates ranging from 5.50% to 5.75%
Miscellaneous liabilities	–	7,861	Advance payment of security deposits
Rental income	12,204	–	Income from leasing agreements
Interest expense	20	–	Interest on deposit liabilities
Other Related Parties (DOSRI/Indirect)			
Receivable from customers		1,141,082	Peso denominated lending with interest rates ranging from 3.00% to 4.83% with maturity terms of 14 days to 5 years (excluding key personnel); mostly unsecured, with ECL
Placements	950,000	–	
Maturities	(951,433)	–	
Miscellaneous assets	4,138	4,138	Security deposits
Accounts receivable	372	1,045	Outstanding ATM service fees, rental and utility receivables, non-interest bearing
Prepaid insurance	(2,220)	4,226	Payment of various motor car vehicles, fire, money, security, payroll and robbery insurance
Deposit liabilities	225,907	3,767,112	Demand, savings and short term peso and foreign currency time deposits with fixed rates ranging from 0.00% to 2.00%
Accrued other expense payable	(705)	446	Outstanding group life insurance
Accounts payable	(8,304)	(455)	Various personal and car insurance payable
Miscellaneous liabilities	2,905	4,777	Advance payment of security deposits
Rental income	42,771	–	Income from leasing agreements with various lease terms
Insurance expense	29,846	–	Payment of insurance premium
Interest expense	244	–	Interest on deposit liabilities
Rent expense	165	–	Payment of rent expense to various lessors
Securities transactions			
Outright purchases	236,792	–	Outright purchase of Financial Assets at amortized cost
Key Personnel			
Receivables from customers		13,914	Unsecured, no impairment, with annual fixed interest rates of 6.00%
Availments	2,975	–	
Maturities	(557)	–	and maturities ranging from 2 to 10 years
Interest income	1,038	–	Interest income from loans

December 31, 2022			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Parent Company			
Due from other banks	₱485,169	₱1,592,053	Short term peso and foreign-currency denominated deposits with fixed rates ranging from 0.00% to 5.00%
Financial assets at amortized cost	60,000	60,000	Pledge for security of payroll account with MBTC in 2022
Financial assets at FVOCI	(59,718)	–	Pledge for security of payroll account with MBTC in 2021
Accounts receivable (payable)	(4,483)	1,306	Outstanding ATM service fees, rental and utility receivables, non-interest bearing; no impairment
Miscellaneous assets	(1,948)	–	Security deposits on lease contracts
Miscellaneous liabilities	(3,550)	2,369	Advance payments of security deposits from various tenants
Accrued other expense payable	63,037	153,440	Outstanding information technology expense payable, charges on current and savings accounts processing
Rental income	13,056	–	Income from leasing agreements with various lease terms ranging from 2 to 5 years
Information technology expense	121,493	–	Payment of information technology transactions
Trading and security loss	4	–	Loss from securities transactions
Securities transactions			
Outright purchases	5,576,850	–	Outright purchase of FVTPL, AC and FVOCI investments
Outright sales	(104,000)	–	Outright sale of FVTPL and FVOCI investments
Joint Venture			
Investment in a joint venture	53,359	816,285	Outstanding balance of capital investment in SMFC
Dividends from joint venture	30,059	–	Dividends from SMFC
Accounts receivable	96	1,001	Outstanding rental and utility receivables, non-interest bearing
Deposit liabilities	61,881	75,881	Demand and short-term peso time-deposits deposits with annual fixed rates of 1.25%

(Forward)



December 31, 2022			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Miscellaneous liabilities	₱-	₱7,861	Advance payment of security deposits
Rental income	17,876	-	Income from leasing agreements
Interest expense	28	-	Interest on deposit liabilities
Other Related Parties (DOSRI/Indirect)			
Receivable from customers	-	1,142,515	Peso denominated lending which earns 3.00% to 7.50% fixed daily
Placements	955,000	-	interest rate with maturity terms ranging from 14 days to 10 years
Maturities	967,797	-	(excluding key personnel); mostly unsecured, with ECL
Miscellaneous assets	(2,949)	-	3 months advance security deposits
Accounts receivable	(1,112)	673	Outstanding ATM service fees, rental and utility receivables, non-interest bearing
Prepaid expense	(5,782)	6,446	Payment of various motor car vehicles, fire, money, security, payroll and robbery insurance
Deposit liabilities	(4,418,680)	3,541,205	Demand, savings and short-term peso and foreign currency time deposits with fixed rates ranging from 0.00% to 2.00%
Accrued other expense payable	-	1,151	Outstanding group life insurance
Accounts payable	7,480	7,849	Various personal and car insurance payable
Miscellaneous liabilities	-	1,872	Advance payment of security deposits from various tenants
Interest income	47,171	-	Income on receivables from customers and interbank loans receivables
Trading and securities loss	43	-	Gain from securities transactions
Rental income	8,100	-	Income from leasing agreements with various lease terms
Bank commission	437	-	Commission income on ATM service fees
Miscellaneous income	937	-	Service income received from insourcing agreements
Insurance expense	52,758	-	Payment of insurance premium
Interest expense	541	-	Interest on deposit liabilities
Rent expense	(65)	-	Payment of rent expense to various lessors
Securities transactions	-	-	-
Outright purchases	2,000,000	-	Outright purchase of FVTPL and FVOCI investments
Outright sales	(150,000)	-	Outright sale of FVTPL and FVOCI investments
Key Personnel			
Receivables from customers	-	11,496	Unsecured, no impairment, with annual fixed interest rates
Availments	2,864	-	6.00% and maturities ranging from 2 to 10 years
Maturities	(2,436)	-	-
Interest income	1,032	-	Interest income from loans
December 31, 2021			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Parent Company			
Due from other banks	(₱267,443)	₱1,106,884	Short term peso and foreign-currency denominated deposits with fixed rates ranging from 0.00% to 5.00%
Financial assets at FVOCI	-	59,718	Pledged for security of MBTC's payroll account with the Bank.
Accounts receivable (payable)	7,698	5,789	Outstanding ATM service fees, rental and utility receivables, non-interest bearing; no impairment
Miscellaneous assets	114	1,948	Security deposits on lease contracts
Miscellaneous liabilities	-	5,919	Advance payments of security deposits from various tenants
Accrued other expense payable	21,819	90,403	Outstanding information technology expense payable, charges on current and savings accounts processing
Rental income	12,099	-	Income from leasing agreements with various lease terms ranging from 2 to 5 years
Miscellaneous income	22,033	-	Service income received from collection services
Information technology expense	154,170	-	Payment of information technology expenses
Trading and security loss	(3,242)	-	Loss from securities transactions
Securities transactions	-	-	-
Outright purchases	11,770,583	-	Outright purchase of FVTPL, AC and FVOCI investments
Outright sales	(150,000)	-	Outright sale of FVTPL and FVOCI investments
Joint Venture			
Investment in a joint venture	57,449	762,926	Outstanding balance of capital investment in SMFC; movements in outstanding balance pertain to share in net income and other comprehensive income less dividends received
Dividends from joint venture	11,580	-	Dividends from SMFC
Accounts receivable	688	905	Outstanding rental and utility receivables, non-interest bearing
Deposit liabilities	(474,007)	14,000	Demand and short-term peso time deposits with annual fixed rates of 1.25%
Miscellaneous liabilities	7,861	7,861	Payment of security deposits
Rental income	16,288	-	Income from leasing agreements
Miscellaneous income	6,882	-	Utilities and rental charges
Interest expense	66	-	Interest on deposit liabilities

(Forward)



Category	December 31, 2021		
	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Other Related Parties (DOSRI/Indirect)			
Receivable from customers	₱-	₱1,155,312	Loans granted bear interest of ranging 3.0% to 10.50% with terms from 12 to 60 months (excluding key personnel); mostly
Placements	1,159,611	-	unsecured; no impairment
Maturities	1,176,688	-	Three months advance security deposits
Miscellaneous assets	353	2,949	Outstanding ATM service fees, rental and utility receivables, non-interest bearing
Accounts receivable	(4,908)	1,785	Payment for various motor car vehicles, fire, money, security, payroll and robbery insurance
Prepaid expense	5,455	12,228	Demand, savings and short-term peso and foreign currency time deposits with fixed rates ranging from 0.00% to 2.00%
Deposit liabilities	7,044,834	7,959,885	Outstanding group life insurance
Accrued other expense payable	-	1,151	Various personal and car insurance payable
Accounts payable	368	369	Advance payment of security deposits from various tenants
Miscellaneous liabilities	-	1,872	Income on receivables from customers and interbank loans receivables
Interest income	67,649	-	Loss from securities transactions
Trading and securities loss	499	-	Income from leasing agreements with various lease terms
Rental income	7,785	-	Commission income on ATM service fees
Bank commission	1,936	-	Service income received from insourcing agreements
Miscellaneous income	3,751	-	Payment of insurance premium
Insurance expense	60,997	-	Interest on deposit liabilities
Interest expense	1,075	-	Payment of rent expense to various lessors
Rent expense	1,950	-	Outright purchase of FVTPL and FVOCI investments
Securities transactions	-	-	Outright sale of FVTPL and FVOCI investments
Outright purchases	3,269,725	-	
Outright sales	(50,000)	-	
Key Personnel			
Receivables from customers	-	11,068	Unsecured, no impairment, with annual fixed interest rates of 6.00% and maturities ranging from 2 to 10 years
Availments	3,699	-	Utilities and rental charges
Maturities	(1,444)	-	Interest income from loans
Interest income	824	-	

30. Trust Operations

Securities and other resources held by the Bank in fiduciary or agency capacity for its customers are not included in the accompanying statements of condition since these are not assets of the Bank.

As of December 31, 2023 and 2022, the Bank deposited government securities with carrying value of ₱123.9 million and ₱180.5 million, respectively, in compliance with trust regulations (Note 8).

In compliance with existing banking regulations, the Bank transferred from surplus to surplus reserve the amount of ₱2.4 million and ₱2.5 million, which corresponds to 10.00% of the net income realized from the Bank's Trust Department in 2023 and 2022, respectively.

31. Commitments and Contingent Liabilities

In the normal course of the Bank's operations, there are various outstanding commitments and contingent liabilities such as guarantees and commitments to extend credit, which are not reflected in the accompanying financial statements. The Bank, however, does not anticipate significant losses as a result of these transactions.



Commitments and Contingencies

The following is a summary of the Bank's commitments and contingent liabilities at their equivalent peso contractual amounts:

	2023	2022
Trust department accounts (Note 30)	₱9,295,113,015	₱8,825,860,829
Stand-by credit lines	41,100,000	122,000,000
Spot foreign exchange and contracts sale	27,685,000	27,877,500
Late deposits/payments received	290,311	3,288,413
Items held for safekeeping	215,511	240,348
Others	57,244	60,626

Also, several suits and claims, on behalf of or against the Bank in relation to its banking operations and labor-related cases are pending before the courts and quasi-judicial bodies. The Bank and its legal counsel believe that any losses arising from suits and claims which are not specifically provided for will not have a material adverse effect on the financial statements.

32. Notes to Statements of Cash Flows

The following is a summary of principal non-cash activities that relate to the analysis of the statements of cash flows:

	2023	2022	2021
Additions to chattel mortgage in settlement of loans (Note 14)	₱2,320,586,633	₱1,978,930,122	₱3,866,091,965
Additions to investment properties in settlement of loans (Note 12)	660,520,059	1,438,182,517	703,230,662
Recognition of right-of-use assets (Note 11) and lease liabilities (Note 25)	312,921,930	523,368,707	330,419,191
Fair value changes in financial assets at FVOCI (Note 8)	119,107,530	(38,369,287)	(13,033,150)
Cumulative translation adjustment	399	(756,081)	(485,670)

The table below provides for the changes in liabilities arising from financing activities in 2023 and 2022 (in millions):

	Bills Payable	Bonds Payable	Lease Liabilities	Total Liabilities from Financing Activities
January 1, 2023	₱1,186	₱4,648	₱1,323	₱7,157
Cash flows from availments	5,068	—	—	5,068
Cash flows from settlement	(5,982)	(4,650)	(534)	(11,166)
Others	—	2	392	394
December 31, 2023	₱272	₱—	₱1,181	₱1,453



	Bills Payable	Bonds Payable	Lease Liabilities	Total Liabilities from Financing Activities
January 1, 2022	₱—	₱4,633	₱1,279	₱5,912
Cash flows from availments	9,850	—	—	9,850
Cash flows from settlement	(8,664)	—	(559)	(9,223)
Others	—	15	603	618
December 31, 2022	₱1,186	₱4,648	₱1,323	₱7,157

Others include amortization of bills payable and bonds payable, additions to lease liabilities, and accretion and termination of lease liabilities.

As of December 31, 2023 and 2022, the Bank recognized allowance for credit losses from 'Due from other banks' amounting to ₱1.2 million and ₱14.7 million, respectively.

33. Offsetting of Financial Assets and Liabilities

PFRS 7 requires the Bank to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar arrangements. The effects of these arrangements are disclosed in the succeeding table.

Financial assets

As of December 31, 2023 and 2022, there were no derivative assets.

December 31, 2023						
Financial assets recognized at the end of reporting period by type	Gross carrying amounts (before offsetting) [a]	Gross amounts offset in accordance with the offsetting criteria [b]	Net amount presented in statement of condition [a-b] [c]	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] [e]
				Financial instruments [d]	Fair value of financial collateral	
SPURA (Note 7)	₱6,989,635,680	₱—	₱6,989,635,680	₱—	₱6,989,635,680	₱—

December 31, 2022						
Financial assets recognized at the end of reporting period by type	Gross carrying amounts (before offsetting) [a]	Gross amounts offset in accordance with the offsetting criteria [b]	Net amount presented in statement of condition [a-b] [c]	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] [e]
				Financial instruments [d]	Fair value of financial collateral	
SPURA (Note 7)	₱2,651,203,416	₱—	₱2,651,203,416	₱—	₱2,651,203,416	₱—

Financial liabilities

As of December 31, 2023 and 2022, there were no outstanding foreign currency swaps and forwards.

December 31, 2023						
Financial assets recognized at the end of reporting period by type	Gross carrying amounts (before offsetting) [a]	Gross amounts offset in accordance with the offsetting criteria [b]	Net amount presented in statement of condition [a-b] [c]	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] [e]
				Financial instruments [d]	Fair value of financial collateral	
SSURA (Note 17)	₱271,896,461	₱—	₱271,896,461	₱—	₱271,896,461	₱—



34. Subsequent Events

Cash Dividend Declaration

On January 18, 2024, the BOD of the Bank approved the declaration of a 7.50% regular cash dividend for the fourth quarter of 2023 for stockholders on record as of February 2, 2024 amounting to ₱320.1 million or ₱0.75 per share, to be paid on February 19, 2024.

35. Approval for the Release of the Financial Statements

The accompanying comparative financial statements by the Bank were authorized for issue by the BOD on February 22, 2024.

36. Supplementary Information Required Under Section 174 of the Manual of Regulations for Banks (MORB)

Financial Performance

The following basic ratios measure the financial performance of the Bank:

	2023	2022	2021
Return on average equity	11.72%	10.21%	4.44%
Return on average assets	1.80%	1.40%	0.64%
Net interest margin on average earning assets	5.18%	4.66%	5.81%
Current ratio	48.89%	62.41%	65.57%
Debt-to-equity ratio	4.94:1	6.11:1	6.50:1
Asset-to-equity ratio	5.94:1	7.11:1	7.50:1
Interest rate coverage ratio	1.84:1	2.52:1	2.51:1

Capital Instruments Issued

The Bank considers common stock as capital instruments eligible as Tier 1 and Tier 2 capital as of December 31, 2023 and 2022.

Significant Credit Exposures as to Industry/Economic Sector

Loan concentration as to economic activity follows (gross of unearned discounts, modification loss and allowance for credit losses):

	2023	%	2022	%
Activities of households as employers and undifferentiated goods-and-services producing activities of households for own use	₱77,667,226,340	62.01%	₱63,639,932,112	57.03%
Real estate activities	36,589,283,371	29.21%	37,408,126,369	33.52%
Wholesale and retail trade, repair of motor vehicles and motorcycles	2,345,575,404	1.87%	2,017,598,092	1.81%
Financial and insurance activities	1,435,041,015	1.15%	1,278,001,269	1.15%
Electricity, gas, steam and air-conditioning supply	1,014,270,488	0.81%	1,340,454,353	1.20%
Transportation and storage	894,812,501	0.71%	913,034,694	0.82%
Construction	607,830,158	0.49%	611,326,312	0.55%
Manufacturing	564,461,629	0.45%	567,888,302	0.51%
Administrative and support service activities	313,279,519	0.25%	329,226,111	0.30%

(Forward)



	2023	%	2022	%
Accommodation and food service activities	₱194,468,882	0.16%	₱189,313,909	0.17%
Professional, scientific and technical activities	150,632,271	0.12%	132,444,731	0.12%
Education	130,242,629	0.10%	118,663,386	0.11%
Information and communication	95,851,435	0.08%	75,489,198	0.07%
Human health and social work activities	90,240,508	0.07%	112,016,707	0.10%
Arts, entertainment and recreation	78,518,459	0.06%	72,203,103	0.06%
Agriculture, forestry and fishing	75,789,773	0.06%	70,896,310	0.06%
Water supply, sewerage, waste management and remediation activities	65,529,418	0.05%	43,296,906	0.04%
Mining and quarrying	5,659,929	0.00%	4,705,062	0.00%
Others	2,883,292,726	2.30%	2,663,873,735	2.39%
	₱125,202,006,455	100.00%	₱111,588,490,661	100.00%

Others relate to other service activities including the activities of membership organizations, repair of computers, personal and household goods and a variety of personal service activities not covered elsewhere in the classification above.

Breakdowns of Total Loans as to Security

The breakdown of loans and receivables from customers (gross of unearned discounts, modification loss and allowance for credit losses) as to secured and unsecured and as to type of security follows:

	2023	%	2022	%
Secured by:				
Chattel	₱59,765,850,197	47.74%	₱50,754,005,073	45.48%
Real estate	30,985,023,151	24.75%	30,172,737,600	27.04%
Deposit hold-out	597,581,973	0.48%	597,964,616	0.54%
	91,348,455,321	72.96%	81,524,707,289	73.06%
Unsecured	33,853,551,134	27.04%	30,063,783,372	26.94%
	₱125,202,006,455	100.00%	₱111,588,490,661	100.00%

Breakdown of Total Loans as to Status

Details of non-performing loans (NPL) follow:

	2023	2022
Secured	₱3,240,010,197	₱2,882,518,252
Unsecured	1,157,125,833	1,154,927,621
	₱4,397,136,030	₱4,037,445,873

Generally, NPLs refer to loans, investments, receivables, or any financial asset, even without any missed contractual payments, that satisfy any of the following conditions:

1. Impaired under existing accounting standards;
2. Classified as doubtful or loss;
3. In litigation, and/or;
4. 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:

1. Unpaid for more than ninety (90) days from contractual due date, or accrued interests for more than ninety (90) days have been capitalized, refinanced, or delayed by agreement.
2. Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after it has become past due.
3. Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained.



The NPLs of the Bank not fully covered by allowance for credit losses follow:

	2023	2022
Total NPLs	₱4,397,136,030	₱4,037,445,873
Less NPLs fully covered by allowance for credit losses	1,040,506,478	977,859,235
	₱3,356,629,552	₱3,059,586,638

Restructured loans as of December 31, 2023 and 2022 amounted to ₱155.2 million and ₱98.8 million, respectively. The Bank's loan portfolio includes non-risk loans as defined under BSP regulations totaling ₱0.6 billion as of December 31, 2023 and 2022.

Information on Related Party Loans

As required under existing BSP rules and regulations, the Bank discloses loans and other credit accommodations granted to its DOSRI. These loans and other credit accommodations were made substantially on the same terms as with other individuals and businesses of comparable risks and were subject of prior BOD approval and entailing BSP reportorial requirements.

Existing banking regulations also limit the total amount of credit exposure to each of the Bank's DOSRIs, at least 70.00% of which must be secured, to the total of their respective deposits and book value of their respective unencumbered deposits and, if any, book value of their respective paid-in capital contribution in the Bank. In the aggregate, the Bank's total credit exposure to all its DOSRIs should not exceed its net worth or 15.00% of its total loan portfolio, whichever is lower, with any unsecured portion thereof not exceeding the lower between 30.00% of the aggregate limit or of the total actual exposure. However, loans and other credit accommodations to DOSRIs that are secured by assets considered by the BSP as non-risk are exempt from these ceilings. As of December 31, 2023 and 2022, the Bank's credit exposures to DOSRI are within the said regulatory limits.

BSP Circular No. 423 dated March 15, 2004, as amended by BSP Circular No. 914 dated June 23, 2016, provide the rules and regulations governing credit exposures to DOSRI. The following table shows information relating to the loans, other credit accommodations and guarantees classified as DOSRI accounts under regulations existing prior to BSP Circular No. 423 and new DOSRI loans and other credit accommodations granted under said circular as of December 31, 2023 and 2022 (in thousands):

	2023		2022	
	DOSRI Loans	Related Party Loans	DOSRI Loans	Related Party Loans
Total outstanding loans	₱191,082	₱1,146,082	₱199,011	₱1,154,011
Percent of DOSRI/Related Party loans to total loan portfolio	0.17%	1.03%	0.18%	1.03%
Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related Party loans	98.35%	99.73%	95.04%	99.15%
Percent of past-due DOSRI /Related Party loans to total DOSRI/Related Party loans	0.00%	0.00%	0.00%	0.00%
Percent of non-performing DOSRI/Related Party loans to total DOSRI /Related Party loans	0.00%	0.00%	0.00%	0.00%

Total interest income from DOSRI loans amounted to ₱3.9 million in 2023, ₱4.6 million in 2022 and ₱4.7 million 2021.



Aggregate Amount of Secured Liabilities and Assets Pledged as Security

As of December 31, 2023 and 2022, investment securities at amortized cost include Bureau of Treasury bonds pledged by the Bank to MBTC to secure its payroll account with the Bank, with total carrying value of ₱60.0 million and ₱60.1 million, respectively.

Commitments and Contingencies

The following is a summary of the Bank's commitments and contingent liabilities at their equivalent peso contractual amounts:

	2023	2022
Trust department accounts (Note 30)	₱9,295,113,015	₱8,825,860,829
Stand-by credit lines	41,100,000	122,000,000
Spot foreign exchange and contracts sale	27,685,000	27,877,500
Late deposits/payments received	290,311	3,288,413
Items held for safekeeping	215,511	240,348
Others	57,244	60,626

37. Report on the Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010

On November 25, 2010, the BIR issued RR No. 15-2010 to amend certain provisions of RR No. 21-2002. The regulations provide that starting 2010, the notes to financial statements shall include information on taxes, duties and license fees paid or accrued during the taxable year.

The Bank reported and/or paid the following types of taxes for the year:

Taxes and Licenses

For the taxable year ended December 31, 2023, taxes and licenses of the Bank consist of:

Gross receipts tax	₱976,158,644
Documentary stamps tax	605,573,537
Local taxes	82,799,112
Fringe benefit tax	7,995,688
	₱1,672,526,981

Withholding Taxes

As of December 31, 2023, total remittances and balance of withholding taxes are as follows:

	Total Remittances	Balance
Withholding taxes on compensation and benefits	₱439,968,847	₱22,494,515
Final withholding taxes	944,649,047	84,016,500
Expanded withholding taxes	100,015,580	10,261,114
	₱1,484,633,474	₱116,772,129

Tax Assessment

The Bank has no ongoing tax assessment as of December 31, 2023.



Philippine Savings Bank

Unaudited Interim Condensed
Financial Statements
as at March 31, 2025 and
for the three months ended
March 31, 2025 and 2024

(With Comparative Audited Statements
of Condition as at December 31, 2024)

and

Report on Review of Interim
Condensed Financial Statements



REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

The Stockholders and the Board of Directors
Philippine Savings Bank

Introduction

We have reviewed the accompanying interim condensed financial statements of Philippine Savings Bank ("the Bank"), which comprise the interim statement of condition as at March 31, 2025, and the related interim statements of income, interim statements of comprehensive income, interim statements of changes in equity and interim statements of cash flows for the three-month periods then ended March 31, 2025 and 2024, and other explanatory information. Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on these interim condensed 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 financial statements are not prepared in all material respects, in accordance with PAS 34, *Interim Financial Reporting*.

SYCIP GORRES VELAYO & CO.



Bryan Chrisnel M. Baes

Partner

CPA Certificate No. 128627

Tax Identification No. 275-229-188

BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026

BIR Accreditation No. 08-001998-148-2022, November 7, 2022, valid until November 6, 2025

PTR No. 10465262, January 2, 2025, Makati City

July 17, 2025



PHILIPPINE SAVINGS BANK**UNAUDITED INTERIM STATEMENTS OF CONDITION****(With Comparative Audited Figures as at December 31, 2024)**

	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
ASSETS		
Cash and Other Cash Items	₱1,730,911,748	₱1,781,441,158
Due from Bangko Sentral ng Pilipinas	2,560,504,084	1,183,357,292
Due from Other Banks	1,298,524,893	1,815,099,522
Interbank Loans Receivable and Securities Purchased		
Under Resale Agreements	6,000,000,000	400,000,000
Fair Value Through Profit or Loss (FVTPL) Investments (Note 6)	151,871,360	300,599,156
Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) (Note 6)	18,579,525,700	25,892,190,851
Investment Securities at Amortized Cost (Note 6)	29,590,696,335	30,096,321,212
Loans and Receivables (Note 7)	150,687,070,818	143,823,452,568
Investment in a Joint Venture	917,314,079	892,036,809
Property and Equipment (Note 8)	3,159,839,600	3,193,122,788
Investment Properties (Note 9)	3,590,513,682	3,640,816,902
Deferred Tax Assets	1,258,893,394	1,318,508,161
Goodwill and Intangible Assets	416,411,277	460,788,987
Other Assets (Note 10)	2,040,018,731	1,559,037,180
	₱221,982,095,701	₱216,356,772,586
LIABILITIES AND EQUITY		
Liabilities		
Deposit Liabilities		
Demand	₱26,004,757,556	₱25,535,370,093
Savings	48,437,359,343	47,745,087,366
Time	95,236,803,675	91,272,571,647
	169,678,920,574	164,553,029,106
Treasurer's, Cashier's and Manager's Checks	1,437,075,160	1,615,438,412
Accrued Taxes, Interest and Other Expenses (Note 13)	1,879,977,530	2,246,446,273
Income Tax Payable	37,574,406	—
Other Liabilities (Note 13)	3,814,693,407	3,835,930,737
	176,848,241,077	172,250,844,528
Equity		
Common Stock (Note 15)	4,268,594,160	4,268,594,160
Capital Paid in Excess of Par Value (Note 15)	11,418,563,257	11,418,563,257
Surplus Reserves	1,049,164,351	1,049,164,351
Surplus (Note 15)	29,271,274,588	28,380,653,358
Fair Value Reserves on Financial Assets at FVOCI (Note 6)	154,794,802	16,969,885
Remeasurement Losses on Retirement Plan	(1,038,514,167)	(1,038,514,167)
Equity in Remeasurement Gains on Retirement Plan of a Joint Venture	2,421,056	2,421,056
Cumulative Translation Adjustment	7,556,577	8,076,158
	45,133,854,624	44,105,928,058
	₱221,982,095,701	₱216,356,772,586

See accompanying Notes to Financial Statements.

PHILIPPINE SAVINGS BANK
UNAUDITED INTERIM STATEMENTS OF INCOME

	For the Three Months ended March 31	
	2025	2024
INTEREST INCOME		
Loans and receivables (Note 7)	₱3,575,044,126	₱3,055,420,555
Financial assets at FVOCI and investment securities at amortized cost (Note 6)	657,179,151	1,019,885,350
Interbank loans receivable and securities purchased under resale agreements	65,911,861	122,787,404
Due from Bangko Sentral ng Pilipinas	16,819,036	143,515,835
FVTPL investments (Note 6)	2,571,371	16,151,797
Due from other banks	1,997,685	2,837,638
	4,319,523,230	4,360,598,579
INTEREST EXPENSE		
Deposit liabilities	1,024,828,137	1,290,167,026
Lease liabilities	18,937,430	19,957,080
Bills payable (Note 11)	5,634,222	10,659,462
	1,049,399,789	1,320,783,568
NET INTEREST INCOME	3,270,123,441	3,039,815,011
Service fees and commission income	552,043,679	465,728,338
Service fees and commission expense	7,757,028	18,531,354
NET SERVICE FEES AND COMMISSION INCOME	544,286,651	447,196,984
OTHER OPERATING INCOME (CHARGES)		
Gain on foreclosure and sale of investment properties - net (Note 9)	93,806,992	140,852,820
Gain (loss) on foreclosure and sale of chattel mortgage properties – net (Note 10)	(69,841,348)	142,640,010
Foreign exchange gain (loss) - net	2,850,343	1,335,125
Trading and securities gains - net (Note 6)	1,178,612	20,634,078
Gain on sale of property and equipment (Note 8)	609,955	1,038,841
Miscellaneous (Note 16)	169,911,756	125,812,679
	198,516,310	432,313,553
TOTAL OPERATING INCOME	4,012,926,402	3,919,325,548
OTHER EXPENSES		
Compensation and fringe benefits	1,035,088,023	1,008,930,574
Provision for credit and impairment losses	413,232,451	143,461,604
Taxes and licenses	369,480,250	426,963,087
Depreciation (Notes 8, 9 and 10)	247,390,598	232,008,611
Security, messengerial and janitorial services	123,693,157	121,389,987
Occupancy and equipment-related costs	86,652,748	87,678,425
Amortization of intangible assets	30,118,901	24,031,639
Miscellaneous (Note 17)	306,716,101	402,808,115
	2,612,372,229	2,447,272,042
INCOME BEFORE SHARE IN NET INCOME OF A JOINT VENTURE AND INCOME TAX	1,400,554,173	1,472,053,506
SHARE IN NET INCOME OF A JOINT VENTURE	25,277,270	21,637,022
INCOME BEFORE INCOME TAX	1,425,831,443	1,493,690,528
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	155,450,884	231,149,700
Deferred	59,614,767	58,838,395
	215,065,651	289,988,095
NET INCOME	₱1,210,765,792	₱1,203,702,433
Basic/Diluted Earnings Per Share	₱2.84	₱2.82

See accompanying Notes to Financial Statements.



PHILIPPINE SAVINGS BANK**UNAUDITED INTERIM STATEMENTS OF COMPREHENSIVE INCOME**

	For the Three Months ended March 31	
	2025	2024
NET INCOME	₱1,210,765,792	₱1,203,702,433
OTHER COMPREHENSIVE INCOME (LOSS)		
<i>Items that recycle to profit or loss in subsequent periods:</i>		
Fair value reserves on debt securities at FVOCI (Note 6)	132,722,672	(32,148,687)
Cumulative translation adjustment	(519,581)	104,826
Equity in Hedge Reserve of Associates and Joint Venture	–	(9,707,213)
	132,203,091	(41,751,074)
<i>Items that do not recycle to profit or loss in subsequent periods:</i>		
Fair value reserves on equity securities at FVOCI (Note 6)	5,102,245	–
Equity in remeasurement losses on retirement plan of a joint venture	–	(3,757,296)
	5,102,245	(3,757,296)
COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX	137,305,336	(45,508,370)
TOTAL COMPREHENSIVE INCOME, NET OF TAX	₱1,348,071,128	₱1,158,194,063

See accompanying Notes to Financial Statements.



PHILIPPINE SAVINGS BANK

UNAUDITED INTERIM STATEMENTS OF CHANGES IN EQUITY

	Common Stock (Note 15)	Capital Paid in Excess of Par Value (Note 15)	Surplus Reserves	Surplus (Note 15)	Fair Value Reserves on Financial Assets at FVOCI (Note 6)	Remeasurement Losses on Retirement Plan	Equity in Remeasurement Gains on Retirement Plan of a Joint Venture	Equity in Hedge Reserves of a Joint Venture	Cumulative Translation Adjustment	Total
Balance at January 1, 2025	₱4,268,594,160	₱11,418,563,257	₱1,049,164,351	₱28,380,653,358	₱16,969,885	(₱1,038,514,167)	₱2,421,056	₱–	₱8,076,158	₱44,105,928,058
Total comprehensive income for the period	–	–	–	1,210,765,792	137,824,917	–	–	–	(519,581)	1,348,071,128
Cash dividends (Note 15)	–	–	–	(320,144,562)	–	–	–	–	–	(320,144,562)
Balance at March 31, 2025 (Unaudited)	₱4,268,594,160	₱11,418,563,257	₱1,049,164,351	₱29,271,274,588	₱154,794,802	(₱1,038,514,167)	₱2,421,056	₱–	₱7,556,577	₱45,133,854,624
Balance at January 1, 2024	₱4,268,594,160	₱11,418,563,257	₱1,046,398,969	₱24,455,554,572	₱70,794,457	(₱1,129,174,728)	₱6,178,352	₱9,707,213	₱7,541,664	₱40,154,157,916
Total comprehensive income for the period	–	–	–	1,203,702,433	(32,148,687)	–	(3,757,296)	(9,707,213)	104,826	1,158,194,063
Cash dividends (Note 15)	–	–	–	(320,144,562)	–	–	–	–	–	(320,144,562)
Balance at March 31, 2024 (Unaudited)	₱4,268,594,160	₱11,418,563,257	₱1,046,398,969	₱25,339,112,443	₱38,645,770	(₱1,129,174,728)	₱2,421,056	₱–	₱7,646,490	₱40,992,207,417

See accompanying Notes to Financial Statements.



PHILIPPINE SAVINGS BANK**UNAUDITED INTERIM STATEMENTS OF CASH FLOWS**

	For the Three Months ended March 31	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱1,425,831,443	₱1,493,690,528
Adjustments to reconcile income before income tax to net cash provided by operations:		
Provision for credit and impairment losses	413,232,451	143,461,604
Depreciation (Notes 8, 9 and 10)	247,390,598	232,008,611
Amortization of premium (discount) on financial assets at fair value through other comprehensive income and investment securities at amortized cost	162,982,482	(714,840,640)
Loss (gain) on foreclosure and sale of:		
Investment properties (Note 9)	(93,806,992)	(140,852,820)
Chattel mortgage properties (Note 10)	69,841,348	(142,640,010)
Amortization of:		
Intangible assets	30,118,901	24,031,639
Interest expense on lease liability	18,937,430	19,957,080
Accretion of modified loans	(4,806,305)	(12,779,190)
Realized loss (gain) on sale of financial assets at FVOCI (Note 6)	(230,329)	(24,448,816)
Share in net income of a joint venture	(25,277,270)	(17,879,726)
Fair value loss on fair value through profit or loss investments (Note 6)	3,219,815	(4,291,163)
Gain on sale of property and equipment (Note 8)	(609,955)	(1,038,841)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Fair value through profit or loss investments	145,507,981	(693,862,752)
Loans and receivables	(8,504,572,384)	(3,175,934,766)
Other assets	(222,719,921)	(123,470,043)
Increase (decrease) in:		
Deposit liabilities	5,125,633,347	(4,537,910,781)
Treasurer's, cashier's and manager's checks	(178,363,252)	(153,894,003)
Accrued taxes, interest and other expenses	(366,469,344)	(541,685,582)
Other liabilities	473,773	(264,905,197)
Cash generated from operations	(1,753,686,183)	(8,637,284,868)
Income taxes paid	(117,876,478)	(211,554,343)
Net cash used in operating activities	(1,871,562,661)	(8,848,839,211)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of:		
Financial assets at FVOCI	(5,015,399,874)	(108,348,004,913)
Investment securities at amortized cost	(484,319,985)	—
Property and equipment	(62,902,463)	(63,606,219)
Other intangible assets	(6,493,784)	—
Proceeds from sale/maturities of:		
Financial assets at FVOCI (Note 6)	12,490,811,652	125,517,883,928
Investment securities at amortized cost (Note 6)	801,530,000	700,000,000
Chattel mortgage properties (Note 10)	804,171,160	766,862,872
Investment properties (Note 9)	190,009,453	255,192,612
Property and equipment (Note 8)	10,707,116	11,788,054
Other intangible assets	—	5,730,016
Net cash provided by investing activities	8,728,113,275	18,845,846,350
(Forward)		



	For the Three Months ended March 31	
	2025	2024
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid (Note 16)	(P320,144,562)	(P320,144,562)
Payment of lease liabilities	(126,845,565)	(130,522,889)
Availment of bills payable	–	1,066,222,477
Settlement of bills payable	–	(1,338,118,938)
Net cash used in financing activities	(446,990,127)	(722,563,912)
Effect of exchange rate differences	(12,653)	1,726
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,409,547,834	9,274,444,953
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		
Cash and other cash items	1,781,441,158	1,653,554,961
Due from Bangko Sentral ng Pilipinas	1,183,357,292	9,745,633,911
Due from other banks	1,816,578,180	1,765,438,984
Interbank loans receivable and securities purchased under resale agreements	400,000,000	6,989,635,680
	5,181,376,630	20,154,263,536
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Cash and other cash items	1,730,911,748	1,921,220,787
Due from Bangko Sentral ng Pilipinas	2,560,504,084	24,037,299,917
Due from other banks	1,299,508,632	1,606,865,418
Interbank loans receivable and securities purchased under resale agreements	6,000,000,000	1,863,322,367
	P11,590,924,464	P29,428,708,489
OPERATIONAL CASH FLOWS FROM INTEREST		
Interest paid	P1,123,148,351	P1,469,404,454
Interest received	4,802,544,465	3,800,011,654



PHILIPPINE SAVINGS BANK

NOTES TO UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

1. Corporate Information

Philippine Savings Bank (the Bank) was incorporated in the Philippines primarily to engage in savings and mortgage banking. The Bank's shares are listed in the Philippine Stock Exchange (PSE). The Bank offers a wide range of products and services such as deposit products, loans, treasury and trust functions that mainly serve the retail and consumer markets. On September 6, 1991, the Bank was authorized to perform trust functions.

As of March 31, 2025 and December 31, 2024, the Bank had 250 branches. The Bank had 272 Automated Teller Machines (ATMs) on-site and 245 off-site, bringing its total number of ATMs to 517 as of March 31, 2025 and 528 as of December 31, 2024.

The Bank's original Certificate of Incorporation was issued by the Securities and Exchange Commission (SEC) on June 30, 1959. On March 28, 2006, the Board of Directors (BOD) of the Bank approved the amendment of Article IV of its Amended Articles of Incorporation to extend the corporate term of the Bank, which expired on June 30, 2009, for another 50 years or up to June 30, 2059. This was subsequently approved by stockholders representing at least two-thirds of the outstanding capital stock of the Bank on April 25, 2006. The Amended Articles of Incorporation was approved by the SEC on September 27, 2006.

On April 27, 2010, by majority vote of the BOD and by stockholders representing two-thirds of the outstanding capital stock, the amendment of Article VI of its Amended Articles of Incorporation reducing the number of directors from a maximum of eleven (11) to a maximum of nine (9) has been approved. This was approved by the SEC on August 26, 2010.

On March 24, 2014, the BOD approved Article III of Articles of Incorporation to specify its principal address from Makati City to PSBank Center, 777 Paseo de Roxas corner Sedeño Street, Makati City 1226. The Amended Articles of Incorporation was approved by the SEC on December 22, 2014.

As of March 31, 2025 and December 31, 2024, Metropolitan Bank & Trust Company (MBTC), the Bank's ultimate parent, owned eighty-eight percent (88.38%) of the Bank.

2. Material Accounting Policy Information

Statement of Compliance

The accompanying unaudited interim condensed financial statements as of March 31, 2025 and for the three-month periods ended March 31, 2025 and 2024 have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the interim condensed financial statements do not include all the information and disclosures required in the annual audited financial statements and should be read in conjunction with the Bank's annual audited financial statements as of December 31, 2024.



The interim condensed financial statements have been prepared on a historical cost basis except for financial assets and financial liabilities at fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI) that have been measured at fair value. The unaudited interim condensed financial statements are presented in Philippine Peso (₱), and all values are rounded to the nearest Philippine Peso, except as otherwise indicated.

The accompanying interim condensed financial statements of the Bank include the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The functional currency of the RBU and FCDU is the Philippine Peso and United States Dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated into their equivalents in Philippine peso. The financial statements of these units are combined after eliminating inter-unit accounts.

Presentation of Financial Statements

The Bank presents its statements of condition in order of liquidity. An analysis regarding recovery of assets or settlement of liabilities within twelve (12) months after the statement of condition date (current) and more than 12 months after the statement of condition date (non-current) is presented in Note 14.

Financial assets and financial liabilities are offset and the net amount is reported in the statements of condition only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. The Bank assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of solvency or bankruptcy of the Bank and all of the counterparties.

Income and expenses are not offset in the statements of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

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 standards effective as at January 1, 2025. The Bank has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements of the Bank.

- 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.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards requires the management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent assets and contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets and liabilities affected in future periods. The effects of

any change in judgments, estimates and assumptions are reflected in the financial statements as they become reasonably determinable. Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

There have been no significant changes in accounting judgments and estimates of the Bank, as disclosed in the 2024 audited financial statements.

3. Fair Value Measurement

Financial Instruments

The following describes the methodologies and assumptions used to determine the fair values of financial instruments:

Cash and other cash items, due from BSP, due from other banks, interbank call loans receivable and SPURA, accounts receivable, accrued interest receivable, bills purchased, returned checks and other cash items (RCOCI), shortages, petty cash fund, and liquidity requirement for e-money - Carrying amounts approximate fair values due to the relatively short-term maturities of these assets.

Debt investments - Fair values are generally based on quoted market prices. If the market prices are not readily available, fair values are estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using the discounted cash flow methodology, using rates currently available for debt on similar terms, credit risk and remaining maturities.

Equity investments - Fair values are based on quoted prices published in markets.

Receivable from customers, sales contract receivables and security deposits - Fair values are estimated using the discounted cash flow methodology, using the Bank's current lending rates for similar types of loans. The discount rates used range from 3.00% to 36.22% in March 2025 and December 2024.

Demand deposits, savings deposits, treasurer's, cashier's and manager's checks, accrued interest payable, accounts payable, bills purchased-contra, other credits, deposits for keys-SDB, payment orders payable and overages - Carrying amounts approximate fair values due to either the demand nature or the relatively short-term maturities of these liabilities.

Bonds payable and time deposits - Fair values are estimated using the discounted cash flow methodology using the Bank's borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued.

The inputs used in the fair value measurement based on Level 2 are as follows:

Government securities - interpolated rates based on market rates of benchmark securities as of statement of condition date.

The inputs used in estimating fair values of financial instruments carried at amortized cost and categorized under Level 3 include risk-free rates and applicable risk premium.

Non-financial Assets

Investment properties - Fair values of the investment properties have been determined based on valuations performed by independent external and in-house appraisers using valuation technique with significant inputs that are not based on observable market data (Level 3). The valuation of investment properties was based on the Sales Comparison Approach and considered recent sales of similar or substitute properties in the same areas where the investment properties are located, taking into account the economic conditions prevailing at the time of the valuation. Other factors considered were the location and shape of the properties, environmental issues, development controls such as the height restriction, building coverage and floor area ratio restrictions among others. Other significant unobservable inputs include shape, location, time element, discount and corner influence. The fair value of investment properties is based on its highest and best use, which is its current use.

The following tables summarize the carrying amount and fair values of the Bank's financial instruments and investment properties, analyzed based on the hierarchy (in thousands):

March 31, 2025 (Unaudited)					
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets measured at fair value:					
Financial Assets					
FVTPL investments					
HFT - government securities	P151,871	P151,871	P-	P-	P151,871
Financial assets at FVOCI					
Government debt securities	18,198,608	1,870,462	16,328,146	-	18,198,608
Private debt securities	341,452	243,663	97,789	-	341,452
Equity securities	39,466	39,466	-	-	39,466
	P18,731,397	P2,305,462	P16,425,935	P-	P18,731,397
Assets for which fair values are disclosed:					
Financial Assets					
Investment securities at amortized cost					
Government	P28,751,458	P17,988,458	P9,827,856	P-	P27,816,314
Private	839,238	836,378	-	-	836,378
Loans and receivables					
Receivables from customers					
Consumption loans	94,578,426	-	-	106,902,063	106,902,063
Real estate loans	44,540,832	-	-	68,777,584	68,777,584
Commercial loans	7,581,204	-	-	7,618,846	7,618,846
Personal loans	1,725,537	-	-	1,857,987	1,857,987
Sales contract receivable	3,510	-	-	3,675	3,675
Security deposits	210,489	-	-	288,871	288,871
Non-Financial Assets					
Investment properties	3,590,514	-	-	6,528,168	6,528,168
	P181,821,208	P18,824,836	P9,827,856	P191,977,194	P220,629,886
Liabilities for which fair values are disclosed:					
Deposit liabilities - time	95,236,804	P-	P-	P97,926,691	P97,926,691
	P95,236,804	P-	P-	P97,926,691	P97,926,691

December 31, 2024 (Audited)					
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets measured at fair value:					
Financial Assets					
FVTPL investments					
HFT - government securities	P300,599	P300,599	P-	P-	P300,599
Financial assets at FVOCI					
Government debt securities	25,518,904	9,294,431	16,224,473	-	25,518,904
Private debt securities	338,923	242,082	96,841	-	338,923
Equity securities	34,364	34,364	-	-	34,364
	P26,192,790	P9,871,476	P16,321,314	P-	P26,192,790

(Forward)

	December 31, 2024 (Audited)				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets for which fair values are disclosed:					
Financial Assets					
Investment securities at amortized cost					
Government	₱29,020,885	₱18,000,375	₱9,759,936	₱—	₱27,760,311
Private	1,075,436	1,069,001	—	—	1,069,001
Loans and receivables					
Receivables from customers					
Consumption loans	87,967,008	—	—	99,812,680	99,812,680
Real estate loans	43,347,882	—	—	66,616,422	66,616,422
Commercial loans	7,435,282	—	—	7,567,451	7,567,451
Personal loans	1,731,395	—	—	2,140,463	2,140,463
Sales contract receivable	3,861	—	—	4,055	4,055
Security Deposits	209,110	—	—	283,964	283,964
Non-Financial Assets					
Investment properties	3,640,817	—	—	6,547,753	6,547,753
	₱174,431,676	₱19,069,376	₱9,759,936	₱182,972,788	₱211,802,100
Liabilities for which fair values are disclosed:					
Deposit liabilities - time	₱91,272,572	₱—	₱—	₱93,931,631	₱93,931,631
	₱91,272,572	₱—	₱—	₱93,931,631	₱93,931,631

When fair values of listed equity and debt securities, as well as publicly traded derivatives at the reporting date are based on quoted market prices or binding dealer price quotations, without any adjustments for transaction costs, the instruments are included within Level 1 of the hierarchy.

For all other financial instruments, fair value is determined using valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist and other revaluation models. Instruments included in Level 3 include those for which there is currently no active market.

As of March 31, 2025 and December 31, 2024, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

As of March 31, 2025 and December 31, 2024, the Bank determined the market value of its warrants to be zero due to the absence of an active market for the Bank's ROP warrants, as evidenced by the unavailability of quoted market prices.

4. Financial Risk Management Policies and Objectives

The Bank has exposure to the following risks from its use of financial instruments:

- Credit risk
- Market risk
- Liquidity risk

Organization risk management structure continues to be a top-down organization, with the BOD at the helm of all major initiatives.

Discussed below are the relevant sections on roles and responsibilities from the Risk Oversight Committee (ROC) Charter:

Board of Directors (BOD)

The corporate powers of the Bank are vested in and are exercised by the BOD, who conducts its business and controls its property. The BOD approves broad risk management strategies and policies and ensures that risk management initiatives and activities are consistent with the Bank's overall objectives. The BOD appoints the members of the ROC.

Risk Oversight Committee (ROC)

The ROC is composed of at least three members of the Board, the majority of whom are independent directors including its Chairperson. The ROC Chairperson is not the Chairperson of the Board or of any other committee. Members of the ROC possess a range of expertise and adequate knowledge of the Bank's risk exposures to be able to develop appropriate strategies for preventing losses and minimizing the impact of losses when they occur.

The BOD may also appoint non-directors to the ROC as part of the Metrobank Group risk oversight measures. However, only Bank directors shall be considered as voting members of the ROC. Non-voting members are appointed in an advisory capacity.

The ROC oversees the system of limits to discretionary authority that the BOD delegates to the management and ensures that the system remains effective, the limits are observed, and that immediate corrective actions are taken whenever limits are breached.

The ROC meets on a monthly basis and is supported by the Risk Management Office (RMO). In the absence of the ROC Chairman, another Independent Director shall preside. ROC resolutions, which require the concurrence of the majority of its voting members, are presented to the BOD for confirmation.

Risk Management Office (RMO)

The RMO, headed by the Chief Risk and Sustainability Officer, is a function that is independent from executive functions and business line responsibilities, operations and revenue-generating functions. It reports directly to the BOD, through the ROC. The RMO assists the ROC in carrying out its responsibilities by:

- analyzing, communicating, implementing, and maintaining the risk management policies approved by the ROC and the BOD;
- spearheading the regular review of the Bank's risk management policy manual and making or elevating recommendations that enhance the risk management process to the ROC and the BOD, for their approval; and
- ensuring that the risks arising from the Bank's activities are identified, measured, analyzed, reported to and understood by risk takers, management, and the board. The RMO analyzes limit exceptions and recommends enhancements to the limits structure.

The RMO does not assume risk-taking accountability nor does it have approving authority. The RMO's role is to act as liaison and to provide support to the BOD, ROC, the President, management committees, risk takers and other support and control functions on risk-related matters.

The Risk Management Function is responsible for:

- identifying the key risk exposures and assessing and measuring the extent of risk exposures of the Bank and its trust operations;
- monitoring the risk exposures and determining the corresponding capital requirement in accordance with the Basel capital adequacy framework and based on the Bank's internal capital adequacy assessment on an on-going basis;

- monitoring and assessing decisions to accept particular risks whether these are consistent with BOD-approved policies on risk tolerance and the effectiveness of the corresponding risk mitigation measures; and
- reporting on a regular basis to Senior Management and the BOD the results of assessment and monitoring.

President

The President is the Chief Executive Officer of the Bank and has the primary responsibility of carrying out the policies and objectives of the BOD. The President exercises the authorities delegated to him by the BOD and may recommend such policies and objectives he deems necessary for the continuing progress of the Bank.

Risk management

The risk management framework aims to maintain a balance between the nature of the Bank's businesses and the risk appetite of the BOD. Accordingly, policies and procedures are reviewed regularly and revised as the organization grows and as financial markets evolve. New policies or proposed changes in current policies are presented to the ROC and the BOD for approval.

Credit Risk

Credit risk is the risk that a counterparty will not settle its obligations in accordance with the agreed terms.

The Bank's lending business follows credit policy guidelines set by the BOD, ROC and RMO. These policies serve as minimum standards for extending credit. The people engaged in the credit process are required to understand and adhere to these policies.

Product manuals are in place for all loans and deposit products that actually or potentially expose the Bank to all types of risks that may result in financial or reputational losses. They define the product and the risks associated with the product plus the corresponding risk-mitigating controls. They embody the business plans and define the business parameters within which the product or activity is to be performed.

The system of checks around extension of credit includes approval by at least two credit approvers through the Credit Committee (CreCom), Executive Committee (ExCom) or BOD. The ROC reviews the business strategies and ensures that revenue-generating activities are consistent with the risk tolerance and standards of the Bank. The Internal Audit Group conducts regular audit across all functional units. The BOD, through the ExCom, CreCom and ROC, ensure that sound credit policies and practices are followed through all the business segments.

Credit approval

Credit approval is the documented acceptance of credit risk in the credit proposal or application.

The Bank's credit decision-making for consumer loans utilizes the recommendation of the credit scoring and is performed at the CreCom level appropriate to the size and risk of each transaction, in conformity with corporate policies and procedures in regulating credit risk activities. The Bank's ExCom may approve deviations or exceptions, while the BOD approves material exceptions such as large exposures, loans to directors, officers, stockholders and other related interests (DOSRI) and related party transactions, and loan restructuring.

Credit delegation limits are identified, tracked and reviewed at least annually by the Bank's Head of Credit and Collections together with the Credit Risk Manager.

Borrower eligibility

The Bank's credit processing commences when a customer expresses his intention to borrow through a credit application. The Bank gathers data on the customer; ensures they are accurate, up-to-date and adequate to meet the minimum regulatory requirements and to render credit decision. These data are used for the intended purpose only and are managed in adherence to the customer information secrecy law.

The customer's credit worthiness, repayment ability and cash flow are established before credit is extended. The Bank independently verifies critical data from the customer, ensuring compliance with Know Your Customer requirements under the anti-money laundering laws. The Bank requires that customer income be derived from legitimate sources and supported with government-accepted statements of income, assets and liabilities.

The Bank ascertains whether the customer is legally capable of entering a credit contract and of providing a charge over any asset presented as collateral for a loan. Guarantors or sureties may be accepted, provided they are a relative, partner, and have financial interest in the transaction, and they pass all credit acceptance criteria applied to the borrower.

Loan structure

The Bank structures loans for its customers based on the customer's capability to pay, the purpose of the loan, and for a collateralized loan, the collateral's economic life and liquidation value over time.

The Bank establishes debt burden guidelines and minimum income requirements to assess the customer's capacity to pay.

The Bank utilizes credit bureau data, both external and internal, to obtain information on a customer's current commitments and credit history.

The Bank takes into account environmental and social issues when reviewing credit proposals of small businesses and commercial mortgage customers. The Bank ensures that all qualified securities pass through the BOD for approval. Assignments of securities are confirmed and insurance are properly secured.

The Bank uses credit scoring models and decision systems for consumer loans as approved by the BOD. Borrower risk rating model and facility risk rating model, on the other hand, are available for SME loans, and supported with qualitative evaluation. Regular monitoring of all these tools and their performance is carried out to ensure that they remain effective.

Initial loan limits are recommended by the CreCom and ExCom and approved by the BOD. The Bank ensures that secured loans are within ceilings set by local regulators. Succeeding loan availments are based on account performance and customer's credit worthiness.

Credit management

The Bank maintains credit records and documents on all borrowings and captures transaction details in its loan systems. The credit risk policies and system infrastructure ensure that loans are monitored and managed at all times.

The Bank's Management Information System provides statistics that its business units need to identify opportunities for improving rewards without necessarily sacrificing risk. Statistical data on product, productivity, portfolio, profitability, performance and projection are made available regularly.

The Bank conducts regular loan review through the ROC, with the support of the RMO. The Bank examines its exposures, credit risk ratios, provisions and customer segments. The Bank's unique customer identification and unique group identification methodology enables it to aggregate credit exposures by customer or group of borrowers. Aggregate exposures of at least ₱100.0 million are put on a special monitoring.

The ROC assesses the adequacy of provisions for credit losses regularly. The Bank's automated loan grading system enables the Bank to set up provision per account. The Bank also performs impairment analyses on loans and receivables, whether on an individual or collective basis, in accordance with PFRS 9.

The Bank carries out stress testing analyses using Board-approved statistical models relating the default trends to macroeconomic indicators.

In 2023, the Philippine economy exhibited resilience and growth despite global challenges. Steady expansion in GDP was observed but inflation and external uncertainties persisted necessitating government's careful economic management. The Bank reviewed and recalibrated its expected credit loss models to ensure the sufficiency of its calculated provisions and appropriateness of the models in light of the changing economic landscape.

In 2024, the Bank enhanced its credit models for both scoring and provisioning to strengthen risk management and improve decision-making. Pandemic-era overlay models for consumer loans were updated to improve stability and reliability, while Application and Behavioral scoring models were recalibrated to enhance risk assessment. The Bank also refined its Probability of Default (PD) and Loss Given Default (LGD) models to better reflect current economic conditions and optimize capital use. Separately, the Bank continues to enhance its integration of bureau and alternative data sources, further improving borrower evaluation and lending decisions. As part of its ongoing efforts to maintain portfolio quality, the Bank actively manages the credit risk of its incoming portfolio through data analytics. Regular monitoring enables timely adjustments, such as underwriting refinements and stricter credit parameters, when certain segments show elevated risk. These measures ensure that risk-taking activities remain well-controlled and aligned with the Bank's prudent credit risk management framework. In the first quarter of 2025, a key ECL model enhancement on LGD was completed as part of the continued model optimization efforts throughout the year. These efforts reinforce the Bank's commitment to a forward-looking, data-driven approach to credit risk management.

Market risk

Market risk management covers the areas of trading and interest rate risks. The Bank utilizes various measurement and monitoring tools to ensure that risk-taking activities are managed within instituted market risk parameters. The Bank revalues its trading portfolios on a daily basis and checks the revenue or loss generated by each portfolio in relation to their level of market risk.

The Bank's risk policies and implementing guidelines are regularly reviewed by the Assets and Liabilities Committee (ALCO), ROC and BOD to ensure that these are up-to-date and in line with changes in the economy, environment and regulations. The ROC and the BOD set the comprehensive market risk limit structure and define the parameters of market activities that the Bank can engage in.

Market risk is the risk to earnings and capital arising from changes in the value of traded portfolios of financial instruments (trading market risk) and from movements in interest rates (interest rate risk). The Bank's market risk originates primarily from holding peso and dollar-denominated debt securities. The Bank utilizes Value-at-Risk (VaR) to measure and manage market risk exposure. VaR estimates the potential decline in the value of a portfolio, under normal market conditions, for a given confidence level over a specified holding period.

Trading activities

The Bank's trading portfolios consist of peso- and dollar-denominated debt securities that are marked-to-market daily. We use BSP-approved Type 3 Derivative License for plain vanilla FX forwards to manage our FX risk against adverse exchange rate movements.

VaR is a statistical measure that calculates the maximum potential loss from a portfolio over a holding period, within a given confidence level. The Bank's current VaR model is based on a historical simulation methodology with a one-day holding period and a 99% confidence level. The Bank establishes limits for trading portfolios and VaR, and comply with regulatory standards. VaR reports are prepared to closely monitor potential losses against approved VaR limit. In addition, actual daily profit and loss levels are monitored against loss triggers. If there is a breach in the VaR limit or loss triggers, Treasury Group is expected to close or reduce their position and bring it down within the limit. Breaches in the limit requires approval of ALCO, President, or ROC/Board, as appropriate.

The Bank performs back testing to validate the VaR model. Results are reported to the ROC and BOD on a monthly basis. Stress testing is also conducted based on historical maximum percentage daily movement and on various ad-hoc rate shock scenarios to estimate potential losses in a crisis situation.

Responsibility for managing the Bank's trading market risk remains with the ROC. With the support of RMO, the ROC recommends to the BOD changes in market risk limits, approving authorities and other activities that need special consideration.

Discussed below are the limitations and assumptions applied by the Bank on its VaR methodology:

- a. VaR is a statistical estimate and thus, does not give the precise amount of loss;
- b. VaR is not designed to give the probability of bank failure, but only attempts to quantify losses that may arise from a bank's exposure to market risk;
- c. Historical simulation does not involve any distributional assumptions, scenarios that are used in computing VaR are limited to those that occurred in the historical sample; and
- d. VaR systems are backward-looking. It attempts to forecast likely future losses using past data. As such, this assumes that past relationships will continue to hold in the future. Major shifts therefore (i.e., an unexpected collapse of the market) are not captured and may inflict losses much bigger than anything the VaR model may have calculated.

The Bank's interest rate VaR follows (in millions):

	March 31, 2025 (Unaudited)		December 31, 2024 (Audited)	
	Peso	USD	Peso	USD
Year-end	–	–	1	–
Average	–	–	2	–
High	1	–	7	–
Low	–	–	–	–

Non-trading activities

The Bank follows a prudent policy on managing its assets and liabilities to ensure that fluctuations in interest rates are kept within acceptable limits.

One method by which the Bank measures the sensitivity of its assets and liabilities to interest rate fluctuations is by way of “gap” analysis. This analysis provides the Bank with a static view of the maturity and repricing characteristics of the positions in its statement of condition. An interest rate gap report is prepared by classifying all assets and liabilities into various time period categories according to contracted maturities or anticipated repricing dates, whichever is earlier. Items lacking definitive repricing schedule (e.g., current and savings accounts) are assigned to repricing tenor buckets based on analysis of deposit behavioral patterns, past experience and/or expert judgment. The difference in the amount of assets and liabilities maturing or being repriced in any time period category 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.

The interest rate sensitivity gap report measures interest rate risk by identifying gaps between the repricing dates of assets and liabilities. The Bank’s sensitivity gap model calculates the effect of possible rate movements on its interest rate profile.

EaR measures the possible decline in the Bank’s net interest income as a result of adverse interest rate movements, given the current repricing profile. It is a tool used to evaluate the sensitivity of the accrual portfolio to changes in interest rates in the adverse direction over the next twelve (12) months. The Bank’s EaR limits are based on a percentage of the Bank’s projected earnings for the year or capital whichever is lower. The Bank also performs stress-testing to measure the impact of various scenarios based on interest rate volatility and shift in the yield curve. The EaR and stress testing reports are prepared on a monthly basis.

The ALCO is responsible for managing the Bank’s structural interest rate exposure. The ALCO’s goal is to achieve a desired overall interest rate profile while remaining flexible to interest rate movements and changes in economic conditions. The RMO and ROC review and oversee the Bank’s interest rate risks.

The table below demonstrates the sensitivity of equity. Equity sensitivity was computed by calculating mark-to-market changes of debt securities at FVOCI, assuming a parallel shift in the yield curve.

	March 31, 2025 (Unaudited)		December 31, 2024 (Audited)	
	Change in basis points	Sensitivity of equity	Change in basis points	Sensitivity of equity
Currency				
PHP	+10	(P59,804,007)	+10	(P63,063,125)
USD	+10	(112,996)	+10	(112,495)
Currency				
PHP	-10	60,074,883	-10	63,359,147
USD	-10	114,064	-10	113,580

The table below demonstrates the sensitivity of net interest income using the EAR model. Net interest income sensitivity was computed by calculating the changes in the banking book gaps assuming a parallel shift in the yield curve.

	March 31, 2025 (Unaudited)		December 31, 2024 (Audited)	
	Change in basis points	Sensitivity of NII	Change in basis points	Sensitivity of NII
Currency				
PHP	+10	(P34,894,086)	+10	(P31,359,106)
USD	+10	(8,839,496)	+10	(8,945,289)

	March 31, 2025 (Unaudited)		December 31, 2024 (Audited)	
	Change in basis points	Sensitivity of NII	Change in basis points	Sensitivity of NII
Currency				
PHP	-10	₱34,894,086	-10	₱31,359,106
USD	-10	8,839,496	-10	8,945,289

The Bank employs the Delta EVE model to measure the overall change in the economic value of the bank at one point. It reflects the changes in the net present value of its banking book at different interest rate shocks and stress scenarios. ΔEVE is calculated by slotting the notional repricing cash flows arising from rate-sensitive assets and liabilities into pre-defined tenor buckets. The present value of the net repricing cash flows is then calculated using various interest rate scenarios prescribed by Basel, as well as scenarios internally developed by the Bank.

Foreign currency risk

Foreign currency risk is the risk of an investment's value changing due to an adverse movement in currency exchange rates. It arises due to a mismatch in the Bank's foreign currency assets and liabilities. The Bank uses BSP-approved Type 3 Derivative License for plain vanilla FX forwards to manage our FX risk against adverse exchange rate movements.

The Bank's policy is to maintain foreign currency exposure within the approved position, stop loss, loss trigger, VaR limits and to remain within existing regulatory guidelines. To compute for VaR, the Bank uses historical simulation model for USD/PHP FX position, with confidence level at 99.00% and a 1 day holding period. The Bank's VaR for its foreign exchange position for trading and non-trading activities are as follows (in thousands):

	March 31, 2025 ¹ (Unaudited)	December 31, 2024 ¹ (Audited)
As of year-end	₱939	₱59
Average	711	785
High	1,187	1,676
Low	397	59

¹Using METRISK Historical Simulation VaR

As of March 31, 2025 and December 31, 2024, the Bank is not exposed to significant foreign currency risk.

Liquidity Risk

The Bank's policy on liquidity management emphasizes on three elements of liquidity, namely, cashflow management, ability to borrow in the interbank market, and maintenance of a stock of high-quality liquid assets. These three approaches complement one another with greater weight being given to a particular approach, depending upon the circumstances. The Bank's objective in liquidity management is to ensure that the Bank has sufficient liquidity to meet obligations under normal and adverse circumstances and is able to take advantage of lending and investment opportunities as they arise.

The main tool that the Bank uses for monitoring its liquidity is the Maximum Cumulative Outflow (MCO) reports, which is also called liquidity gap or maturity matching gap reports. The MCO is a useful tool in measuring and analyzing the Bank's cash flow projections and monitoring liquidity risks.

The MCO is generated by distributing the cash flows of the Bank's assets, liabilities and off-balance sheet items to time bands based on cash flow expectations such as contractual maturity, nature of the account, behavioral patterns and projections on business strategies. The incorporation of behavioral cash flow assumptions and business projections or targets results in a dynamic gap report that realistically captures the behavior of the products and creates a forward-looking cash flow projection.

Cash flows from assets are considered as cash inflows, while cash flows from liabilities are considered cash outflows. The net cash flows are determined for each given time period. If the inflows exceed the outflows, the Bank is said to have a positive liquidity gap or has excess funds for the given time bucket. Conversely, if the outflows exceed the inflows, the Bank is said to have a negative liquidity gap or has funding needs for the given time bucket.

The Bank's Liquidity Contingency Funding Plan (LCFP) projects the Bank's funding position during stress to help evaluate the Bank's funding needs and strategies under various stress conditions.

The Bank discourages dependence on Large Funds Providers (LFPs) and monitors the deposit funding concentrations so that it will not be vulnerable to a substantial drop in deposit level should there be an outflow of large deposits and there are enough high-quality liquid assets to fund LFP withdrawals. ALCO is responsible for managing the liquidity of the Bank while RMO and ROC review and oversee the Bank's overall liquidity risk management.

To mitigate potential liquidity problems caused by unexpected withdrawals of significant deposits, the Bank takes steps to cultivate good business relationships with clients and financial institutions, maintains high level of high-quality liquid assets, monitors the deposit funding concentrations and regularly updates the Liquidity Contingency Funding Plan. The Bank's Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) are managed on a daily basis to ensure compliance with the required regulatory ratios.

Financial assets

Analysis of equity and debt securities at FVTPL and financial assets at FVOCI into maturity groupings is based on the expected date on which these assets will be realized. 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.

Financial liabilities

The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date and does not consider the behavioral pattern of the creditors. When the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Bank can be required to pay.

5. Segment Information

The Bank's operating segments are organized and managed separately according to the nature of services provided and the different markets served, with each segment representing a strategic business unit that offers different products and serves different markets. The Bank's reportable segments are as follows:

- a. Consumer Banking - principally provides consumer-type loans generated by the Home Office;
- b. Corporate Banking - principally handles loans and other credit facilities for small and medium enterprises, corporate and institutional customers acquired in the Home Office;

- c. Branch Banking - serves as the Bank's main customer touch point which offers consumer and corporate banking products; and
- d. Treasury - principally handles institutional deposit accounts, providing money market, trading and treasury services, as well as managing the Bank's funding operations by use of government securities and placements and acceptances with other banks.

These segments are the bases on which the Bank reports its primary segment information. The Bank evaluates performance on the basis of information about the components of the Bank that senior management uses to make decisions about operating matters. There are no other operating segments than those identified by the Bank as reportable segments. There were no inter-segment revenues and expenses included in the financial information. The Bank has no single customer with revenues from which is 10.00% or more of the Bank's total revenue.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. Primary segment information (by business segment) for the quarters ended March 31, 2025 and 2024 and December 31, 2024, as follows (in thousands):

	For the Three Months ended March 31, 2025 (Unaudited)				
	Consumer Banking	Corporate Banking	Branch Banking	Treasury	Total
Operating income					
Interest income	₱1,454,714	₱55,934	₱2,064,396	₱744,479	₱4,319,523
Service fees and commission	215,646	4,898	331,500	—	552,044
Other operating income	48,610	2,032	143,845	4,029	198,516
Total operating income	1,718,970	62,864	2,539,741	748,508	5,070,083
Non-cash expenses					
Provision for (reversal of) credit and impairment losses	330,657	3,891	82,924	(4,240)	413,232
Depreciation	85,434	797	160,952	208	247,391
Amortization of other intangible assets	19,800	317	8,943	1,059	30,119
Total non-cash expenses	435,891	5,005	252,819	(2,973)	690,742
Interest expense	—	—	601,654	447,746	1,049,400
Service fees and commission expense	3,030	69	4,658	—	7,757
Subtotal	3,030	69	606,312	447,746	1,057,157
Compensation and fringe benefits	287,004	18,149	722,898	7,037	1,035,088
Taxes and licenses	124,065	2,297	133,273	109,845	369,480
Security, messengerial and janitorial services	52,096	435	71,125	37	123,693
Occupancy and equipment-related costs	23,919	29	62,734	(29)	86,653
Miscellaneous	118,469	1,803	166,163	20,281	306,716
Subtotal	605,553	22,713	1,156,193	137,171	1,921,630
Income (loss) before share in net income of a joint venture and income tax	674,496	35,077	524,417	166,564	1,400,554
Share in net income of a joint venture					25,277
Income before income tax					1,425,831
Provision for income tax					215,065
Net income					1,210,766
Segment assets	₱117,855,303	₱2,974,132	₱49,614,724	₱49,361,730	219,805,889
Investment in a joint venture					917,314
Deferred tax assets					1,258,893
Total assets					₱221,982,096
Segment liabilities	₱1,830,209	₱141,528	₱121,153,447	₱53,723,057	₱176,848,241

December 31, 2024 (Audited)					
	Consumer Banking	Corporate Banking	Branch Banking	Treasury	Total
Operating income					
Interest income	₱4,498,367	₱228,609	₱8,126,983	₱4,019,166	₱16,873,125
Service fees and commission	686,995	17,365	1,201,076	—	1,905,436
Other operating income	459,255	8,126	715,405	22,572	1,205,358
Total operating income	5,644,617	254,100	10,043,464	4,041,738	19,983,919
Non-cash expenses					
Provision for (reversal) credit and impairment losses	73,939	22,986	119,968	(2,454)	214,439
Depreciation	291,761	3,276	656,306	437	951,780
Amortization of intangible assets	50,255	857	55,922	4,324	111,358
Total non-cash expenses	415,955	27,119	832,196	2,307	1,277,577
Interest expense	—	—	2,494,013	2,081,572	4,575,585
Service fees and commission expense	32,398	819	56,640	—	89,857
Subtotal	32,398	819	2,550,653	2,081,572	4,665,442
Compensation and fringe benefits	1,098,412	67,928	2,890,106	32,222	4,088,668
Taxes and licenses	454,804	9,773	550,830	505,570	1,520,977
Security, messengerial and janitorial services	202,418	2,701	358,746	260	564,125
Occupancy and equipment-related costs	103,817	556	250,795	90	355,258
Miscellaneous	504,893	10,278	1,039,274	87,820	1,642,265
Subtotal	2,364,344	91,236	5,089,751	625,962	8,171,293
Income before share in net income of a joint venture and income tax	2,831,920	134,926	1,570,864	1,331,897	5,869,607
Share in net income of a joint venture					68,023
Income before income tax					5,937,630
Provision for income tax					729,188
Net income					5,208,442
Segment assets	₱111,122,145	₱3,085,367	₱50,235,843	₱49,702,873	214,146,228
Investment in a joint venture					892,037
Deferred tax assets					1,318,508
Total assets					₱216,356,773
Segment liabilities	₱1,875,800	₱146,764	₱116,459,188	₱53,769,093	₱172,250,845

For the Quarter ended March 31, 2024 (Unaudited)					
	Consumer Banking	Corporate Banking	Branch Banking	Treasury	Total
Operating income					
Interest income	₱956,365	₱48,089	₱2,050,967	₱1,305,178	₱4,360,599
Service fees and commission	158,770	3,318	303,640	—	465,728
Other operating income	196,717	1,844	211,784	21,969	432,314
Total operating income	1,311,852	53,251	2,566,391	1,327,147	5,258,641
Non-cash expenses					
Provision for (reversal of) credit and impairment losses	(22,360)	3,099	163,246	(523)	143,462
Depreciation	68,252	807	162,732	218	232,009
Amortization of other intangible assets	8,679	201	15,075	77	24,032
Total non-cash expenses	54,571	4,107	341,053	(228)	399,503
Interest expense	—	—	627,211	693,573	1,320,784
Service fees and commission expense	6,318	132	12,081	—	18,531
Subtotal	6,318	132	639,292	693,573	1,339,315
Compensation and fringe benefits	260,903	18,469	721,188	8,371	1,008,931
Taxes and licenses	112,723	2,913	151,636	159,691	426,963
Security, messengerial and janitorial services	40,763	507	80,015	105	121,390
Occupancy and equipment-related costs	25,314	143	62,170	51	87,678
Miscellaneous	116,885	2,110	255,509	28,304	402,808
Subtotal	556,588	24,142	1,270,518	196,522	2,047,770
Income (loss) before share in net income of a joint venture and income tax	694,375	24,870	315,528	437,280	1,472,053
Share in net income of a joint venture					21,637
Income before income tax					1,493,690
Provision for income tax					289,988
Net income					1,203,702
Segment assets	₱98,534,475	₱2,301,996	₱46,711,388	₱83,982,112	231,529,971
Investment in a joint venture					878,351
Deferred tax assets					1,198,769
Total assets					₱233,607,091
Segment liabilities	₱1,258,224	₱90,968	₱137,504,161	₱53,761,531	₱192,614,884

6. Investment Securities

Fair Value Through Profit or Loss (FVTPL) Investments

FVTPL investments consist of the following:

	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
Government debt securities	₱151,871,360	₱300,599,156

Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)

Financial assets at FVOCI consist of the following:

	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
Debt securities		
Government	₱18,198,607,466	₱25,518,903,960
Private	341,451,972	338,922,873
Equity securities		
Quoted	39,466,262	34,364,018
	₱18,579,525,700	₱25,892,190,851

As of March 31, 2025 and December 31, 2024, the ECL on debt securities at FVOCI (included in 'Fair value reserves on financial assets at FVOCI') amounted to ₱0.8 million and ₱0.7 million, respectively.

Movements in the fair value reserves on financial assets at FVOCI are as follows:

	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
Balance at beginning of year	₱16,969,885	₱70,794,457
Gain from sale of financial assets at FVOCI realized in profit or loss	(230,329)	(24,247,623)
Changes in allowance for ECL	140,860	(74,924)
Fair value gain (loss) recognized in OCI	137,914,386	(29,502,025)
Balance at end of year	₱154,794,802	₱16,969,885

Investment Securities at Amortized Cost

Investment securities at amortized cost consist of the following:

	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
Debt securities		
Government	₱28,758,113,650	₱29,031,233,731
Private	839,883,209	1,076,325,394
	29,597,996,859	30,107,559,125
Less allowance for credit losses	7,300,524	11,237,913
	₱29,590,696,335	₱30,096,321,212

Interest income on investment securities consists of:

	For the Three Months ended March 31	
	2025	2024
	(Unaudited)	(Unaudited)
Interest income recognized using effective interest rate (EIR)		
Investment securities at amortized cost	₱349,244,160	₱333,148,496
Financial assets at FVOCI	307,934,991	686,736,854
	657,179,151	1,019,885,350
Interest income recognized using nominal interest rate		
FVTPL investments	2,571,371	16,151,797
	₱659,750,522	₱1,036,037,147

Trading and securities gains - net on investment securities consist of:

	For the Three Months ended March 31	
	2025	2024
	(Unaudited)	(Unaudited)
FVTPL investments	₱948,283	(₱3,814,738)
Financial assets at FVOCI	230,329	24,448,816
	₱1,178,612	₱20,634,078

7. Loans and Receivables

This account consists of:

	March 31, 2025	December 31, 2024
	(Unaudited)	(Audited)
Receivables from customers		
Consumption loans	₱96,995,442,603	₱90,460,340,931
Real estate loans	45,021,133,469	43,844,550,817
Commercial loans	7,803,964,677	7,669,171,911
Personal loans	1,974,587,026	1,994,825,782
	151,795,127,775	143,968,889,441
Less unearned discounts	70,095,010	74,916,465
	151,725,032,765	143,893,972,976
Other receivables		
Accrued interest receivable	2,051,934,285	2,367,681,595
Accounts receivable	764,036,196	1,536,451,201
Sales contract receivables	3,842,947	4,224,875
	154,544,846,193	147,802,330,647
Less allowance for credit losses	3,857,775,375	3,978,878,079
	₱150,687,070,818	₱143,823,452,568

Personal loans comprise deposit collateral loans, employee salary and consumer loan products such as money card, multi-purpose loan and flexi-loan.

As of March 31, 2025 and December 31, 2024, 32.90% and 33.73% respectively, of the total receivables from customers are subject to periodic interest repricing with average EIR of 8.44% and 8.45%. Remaining receivables earn average annual fixed interest rates of 17.08% and 16.96%.

Interest income on loans and receivables consists of:

	For the Three Months ended March 31	
	2025	2024
	(Unaudited)	(Unaudited)
Receivables from customers		
Consumption loans	₱2,370,848,241	₱1,909,115,502
Real estate loans	937,261,791	879,864,314
Commercial loans	140,876,282	119,806,368
Personal loans	125,660,977	146,617,523
Other receivables		
Sales contract receivables	396,835	16,848
	₱3,575,044,126	₱3,055,420,555

8. Property and Equipment

The composition of and movements in this account follow:

	March 31, 2025 (Unaudited)					
	Land	Building	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-use Assets: Building	Total
Cost						
Balance at beginning of the period	₱976,443,676	₱1,170,665,641	₱3,629,982,990	₱1,154,075,306	₱1,974,787,786	₱8,905,955,399
Acquisitions/Additions	—	7,854,000	52,867,779	2,180,684	86,194,944	149,097,407
Disposals/Retirement	—	—	(13,564,431)	—	(11,257,672)	(24,822,103)
Balance at end of the period	976,443,676	1,178,519,641	3,669,286,338	1,156,255,990	2,049,725,058	9,030,230,703
Accumulated Depreciation						
Balance at beginning of the period	—	670,430,083	2,984,801,478	1,096,905,753	960,695,297	5,712,832,611
Depreciation	—	8,967,190	53,774,659	5,993,770	103,547,816	172,283,435
Disposals/Retirement	—	—	(3,563,305)	—	(11,257,673)	(14,820,978)
Others	—	96,035	—	—	—	96,035
Balance at end of the Period	—	679,493,308	3,035,012,832	1,102,899,523	1,052,985,440	5,870,391,103
Net Book Value	₱976,443,676	₱499,026,333	₱634,273,506	₱53,356,467	₱996,739,618	₱3,159,839,600

	December 31, 2024 (Audited)					
	Land	Building	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-use Assets: Building	Total
Cost						
Balance at beginning of the period	₱976,443,676	₱1,164,846,258	₱3,415,338,919	₱1,131,384,796	₱1,963,591,638	₱8,651,605,287
Acquisitions/Additions	—	5,819,383	290,698,956	22,690,510	451,270,041	770,478,890
Disposals/Retirement	—	—	(76,054,885)	—	(440,073,893)	(516,128,778)
Balance at end of the period	976,443,676	1,170,665,641	3,629,982,990	1,154,075,306	1,974,787,786	8,905,955,399
Accumulated Depreciation						
Balance at beginning of the period	—	634,324,894	2,835,102,506	1,070,267,248	969,953,262	5,509,647,910
Depreciation	—	35,717,687	192,372,030	26,638,505	430,815,928	685,544,150
Disposals/Retirement	—	—	(42,673,058)	—	(440,073,893)	(482,746,951)
Others	—	387,502	—	—	—	387,502
Balance at end of the period	—	670,430,083	2,984,801,478	1,096,905,753	960,695,297	5,712,832,611
Net Book Value	₱976,443,676	₱500,235,558	₱645,181,512	₱57,169,553	₱1,014,092,489	₱3,193,122,788

Gain on sale of property and equipment amounted to ₱0.6 million and ₱1.0 million for the three-month periods ended March 31, 2025 and 2024, respectively.

The details of depreciation under the statements of income follow:

	For the Three Months ended March 31	
	2025	2024
	(Unaudited)	(Unaudited)
Property and equipment	₱172,283,435	₱168,873,326
Chattel mortgage properties	54,201,763	40,879,369
Investment properties	20,905,400	22,255,916
	₱247,390,598	₱232,008,611

9. Investment Properties

The composition of and movements in this account follow:

	March 31, 2025 (Unaudited)		
	Land	Building Improvements	Total
Cost			
Balance at beginning of year	₱1,329,617,968	₱3,001,618,060	₱4,331,236,028
Additions	31,311,180	89,119,756	120,430,936
Disposals	(32,270,514)	(142,357,490)	(174,628,004)
Balance at end of year	1,328,658,634	2,948,380,326	4,277,038,960
Accumulated Depreciation			
Balance at beginning of year	—	506,028,887	506,028,887
Depreciation	—	20,905,400	20,905,400
Disposals	—	(18,837,718)	(18,837,718)
Balance at end of year	—	508,096,569	508,096,569
Allowance for Impairment Losses			
Balance at beginning of year	59,761,915	124,628,324	184,390,239
Provisions for the year	410,201	2,617,757	3,027,958
Disposals	(161,999)	(8,827,489)	(8,989,488)
Balance at end of year	60,010,117	118,418,592	178,428,709
Net Book Value	₱1,268,648,517	₱2,321,865,165	₱3,590,513,682

	December 31, 2024 (Audited)		
	Land	Building Improvements	Total
Cost			
Balance at beginning of year	₱1,404,474,771	₱3,221,547,911	₱4,626,022,682
Additions	112,105,951	360,751,014	472,856,965
Disposals	(186,962,754)	(580,680,865)	(767,643,619)
Balance at end of year	1,329,617,968	3,001,618,060	4,331,236,028
Accumulated Depreciation			
Balance at beginning of year	—	486,395,513	486,395,513
Depreciation	—	88,949,946	88,949,946
Disposals	—	(69,316,572)	(69,316,572)
Balance at end of year	—	506,028,887	506,028,887
Allowance for Impairment Losses			
Balance at beginning of year	56,127,134	148,549,851	204,676,985
Provisions for the year	4,325,980	12,233,573	16,559,553
Disposals	(691,199)	(36,155,100)	(36,846,299)
Balance at end of year	59,761,915	124,628,324	184,390,239
Net Book Value	₱1,269,856,053	₱2,370,960,849	₱3,640,816,902

The details of the net book value of investment properties follow:

	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
Real estate properties acquired in settlement of loans and receivables	₱3,520,300,335	₱3,569,659,560
Bank premises leased to third parties and held for capital appreciation	70,213,347	71,157,342
	₱3,590,513,682	₱3,640,816,902

Gain on foreclosure of investment properties amounted to ₱50.6 million and ₱85.5 million in March 31, 2025 and 2024, respectively. The Bank realized gain on sale of investment properties amounting to ₱43.2 million and ₱55.4 million for the three-months periods ended March 31, 2025 and 2024, respectively.

10. Other Assets

This account consists of:

	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
Financial assets		
Security deposits	₱210,489,410	₱209,109,716
Liquidity requirement for electronic money products	127,482,321	156,123,260
RCOCI	46,736,222	16,695,847
Others*	444,420	447,040
	385,152,373	382,375,863
Non-financial assets		
Chattel mortgage properties – net	1,092,913,372	855,404,298
Prepayments	339,573,477	165,991,028
Net retirement assets	107,165,523	63,522,505
Creditable withholding tax	41,489,121	24,116,778
Stationeries and supplies on hand	39,974,416	38,662,995
Documentary stamps on hand	33,713,643	28,949,779
Others**	36,806	13,934
	1,654,866,358	1,176,661,317
	₱2,040,018,731	₱1,559,037,180

* Others under financial assets comprise petty cash fund, shortages, and other investments

** Others under non-financial assets comprise inter-office float items, sundry debits, deferred charges, postages stamps

Prepayments represent prepaid insurance, rent, taxes and other prepaid expenses.

Creditable withholding tax (CWT) pertains to the excess credits after applying CWT against income tax payable.

The movements in chattel mortgage properties - net follow:

	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
Cost		
Balance at beginning of year	₱929,114,203	₱736,797,092
Additions	1,223,363,377	3,922,282,431
Disposals	(981,592,142)	(3,729,965,320)
Balance at the end of year	1,170,885,438	929,114,203
Accumulated Depreciation		
Balance at beginning of year	73,609,508	68,762,517
Depreciation	54,201,763	177,285,886
Disposals	(51,172,322)	(172,438,895)
Balance at the end of year	76,638,949	73,609,508
Allowance for Impairment Losses		
Balance at beginning of year	100,396	142,544
Provision	1,871,517	606,596
Disposals	(638,796)	(648,744)
Balance at end of year	1,333,117	100,396
Net Book Value	₱1,092,913,372	₱855,404,299

Gain on foreclosure of chattel mortgage properties amounted to ₱55.8 million and ₱169.2 million in March 31, 2025 and 2024, respectively. The Bank realized loss on sale of chattel mortgage properties amounting to (₱125.6) million and to (₱26.5) million for the three-month periods ended March 31, 2025 and 2024, respectively.

11. Bills Payable

As of March 31, 2025 and December 31, 2024, bills payable amounted to nil.

Peso-denominated interbank borrowings of the Bank bear annual interest ranging from 5.84% to 5.94% in 2025 and from 6.44% to 6.47% in 2024. Foreign currency-denominated interbank borrowings bear annual interest ranging from 4.55% to 4.60% in 2025 and from 5.50% to 5.55% in 2024. Annual interest rate on dollar-denominated dollar denominated securities under resale agreement (SSURA) ranges from 5.55% to 5.91% in 2025.

Interest expense on bills payable amounted to ₱5.63 million and ₱10.66 million in March 31, 2025 and 2024, respectively.

12. Accrued Taxes, Interest and Other Expenses

This account consists of:

	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
Accrued interest payable	₱247,460,153	₱321,208,714
Accrued other taxes and licenses payable	278,913,732	320,636,725
Accrued other expenses payable	1,353,603,645	1,604,600,834
	₱1,879,977,530	₱2,246,446,273

Accrued other expenses payable consist of:

	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
Compensation and fringe benefits	₱733,547,216	₱741,950,774
Litigation	294,264,456	357,433,281
Information technology	120,822,358	130,879,980
Insurance	83,093,514	166,683,439
Rental - ATM Offsites	37,989,751	37,989,751
Security, messengerial and janitorial	30,218,041	36,204,686
ATM maintenance	21,270,977	20,400,132
Donations	14,652,956	14,517,956
Membership, fees and dues	3,548,951	3,773,951
Advertising	3,202,520	10,510,397
Repairs and maintenance	321,840	41,582,060
Miscellaneous	10,671,065	42,674,427
	₱1,353,603,645	₱1,604,600,834

Compensation and fringe benefits include salaries and wages, as well as medical, dental and hospitalization benefits.

Miscellaneous include accruals for utilities and maintenance and other expenses.

13. Other Liabilities

This account consists of:

	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
Financial liabilities		
Accounts payable	₱1,899,883,482	₱2,071,731,704
Lease liabilities	1,168,816,598	1,190,529,789
Other credits	232,464,960	221,609,042

(Forward)

	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
Overages	₱5,093,706	₱4,895,091
Deposit for keys – SDB	731,895	734,395
	3,306,990,641	3,489,500,021
Non-financial liabilities		
Sundry credits	199,946,531	91,964,895
Withholding taxes payable	125,528,380	89,391,301
Due to the Treasurer of the Philippines	40,721,456	40,721,456
Provision on undrawn portion of committed credit lines	39,752,655	38,893,036
SSS, Medicare, ECP and HDMF premium payable	24,815,395	22,387,898
Miscellaneous	76,938,349	63,072,130
	507,702,766	346,430,716
	₱3,814,693,407	₱3,835,930,737

Accounts payable includes payable to suppliers and service providers, and loan payments and other charges received from customers in advance. Other credits represent long-outstanding unclaimed cashier's checks.

Sundry credits represent various items or transactions which cannot be classified immediately under any credit account and subsequently classified to proper credit accounts the following month.

14. Maturity Analysis of Assets and Liabilities

The following table shows an analysis of assets and liabilities analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from the statement of condition dates (in thousands):

	March 31, 2025 (Unaudited)			December 31, 2024 (Audited)		
	Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
Financial Assets						
Cash and other cash items	₱1,730,912	₱–	₱1,730,912	₱1,781,441	₱–	₱1,781,441
Due from BSP - gross	2,560,504	–	2,560,504	1,183,357	–	1,183,357
Due from other banks - gross	1,299,509	–	1,299,509	1,816,578	–	1,816,578
Interbank call loans receivable and SPURA - gross	6,000,000	–	6,000,000	–	–	–
FVTPL investments	151,871	–	151,871	400,000	–	400,000
Financial assets at FVOCI	1,308,748	17,270,778	18,579,526	300,599	–	300,599
Investment securities at amortized cost – gross	2,576,997	27,021,000	29,597,997	8,732,721	17,159,470	25,892,191
Loans and receivables - gross	11,586,364	143,028,577	154,614,941	3,383,179	26,724,380	30,107,559
Other assets*	197,831	186,877	384,708	12,844,071	135,033,176	147,877,247
	27,412,736	187,507,232	214,919,968	192,173	190,203	382,376
	27,412,736	187,507,232	214,919,968	30,634,119	179,107,229	209,741,348

(Forward)

	March 31, 2025 (Unaudited)			December 31, 2024 (Audited)		
	Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
Nonfinancial Assets						
Investment in a joint venture	P–	P917,314	P917,314	P–	P892,037	P892,037
Property and equipment - gross	–	9,029,791	9,029,791	–	8,905,955	8,905,955
Investment properties - gross	–	4,277,039	4,277,039	–	4,331,236	4,331,236
Deferred tax assets	–	1,258,893	1,258,893	–	1,318,508	1,318,508
Intangible assets and goodwill – gross	–	2,072,639	2,072,639	–	572,147	572,147
Other assets - gross**	455,232	1,278,051	1,733,283	257,734	992,637	1,250,371
	455,232	18,833,727	19,288,959	257,734	17,012,520	17,270,254
Less: Allowance for credit and impairment losses			4,045,821			4,176,085
Accumulated depreciation and amortization			8,110,915			6,403,829
Unearned discounts and capitalized interest			70,095			74,916
			12,226,831			10,654,830
			P221,982,096			P216,356,772

* Other assets under financial assets comprise security deposits, liquidity requirement for electronic money products, RCOI, petty cash fund, shortages and other investments

** Other assets under nonfinancial assets comprise chattel mortgage properties, net retirement assets, prepayments, documentary stamps on hand, stationeries and supplies on hand, creditable withholding tax, inter-office float items, sundry debits, deferred charges, postages stamps.

	March 31, 2025 (Unaudited)			December 31, 2024 (Audited)		
	Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
Financial Liabilities						
Deposit liabilities	P151,356,140	P18,322,781	P169,678,921	P146,990,994	P17,562,035	P164,553,029
Treasurer's, cashier's and manager's checks	1,437,075	–	1,437,075	1,615,438	–	1,615,438
Accrued other expenses payable	1,353,604	–	1,353,604	1,604,601	–	1,604,601
Accrued interest payable	247,460	–	247,460	321,209	–	321,209
Other liabilities*	2,592,168	755,544	3,347,712	2,707,917	781,583	3,489,500
	156,986,447	19,078,325	176,064,772	153,240,159	18,343,618	171,583,777
Nonfinancial Liabilities						
Accrued other taxes and licenses payable	278,914	–	278,914	320,637	–	320,637
Other liabilities**	504,555	–	504,555	213,744	132,687	346,431
	783,469	–	783,469	534,381	132,687	667,068
	P157,769,916	P19,078,325	P176,848,241	P153,774,540	P18,476,305	P172,250,845

* Other liabilities under financial liabilities comprise accounts payable, lease liabilities, bills purchased contra, other credits, overages, and deposit for safety deposit box.

** Other liabilities under nonfinancial liabilities comprise provision on undrawn portion of committed credit lines, withholding taxes payable, sundry credits, due to the treasurer of the Philippines, SSS, Medicare, ECP & HDMF premium payable, income tax payable and miscellaneous liabilities.

15. Equity

Issued Capital

The movement in the Bank's capital stock consists of:

	March 31, 2025 (Unaudited)		December 31, 2024 (Audited)	
	Shares	Amount	Shares	Amount
Authorized common stock - P10 par value	600,000,000	P6,000,000,000	600,000,000	P6,000,000,000
Common Stock - Issued and outstanding	426,859,416	P4,268,594,160	426,859,416	P4,268,594,160

The Bank became listed in the Philippine Stock Exchange (PSE) on October 10, 1994. Subsequently, the SEC approved the increase in the capital stock of the Bank. The summarized information on the Bank's registration of securities under the Securities Regulation Code follows:

Date of SEC Approval	Type	Authorized Shares	Par Value
August 16, 1995	Common	300,000,000	P10
October 8, 1997	Common	425,000,000	P10
November 20, 2019	Common	600,000,000	P10

As of March 31, 2025 and December 31, 2024, the total number of stockholders is 1,429 and 1,432 with share price closed at P59.00 and P58.20, respectively.

Dividends Paid and Proposed

Details of the Bank's dividend distributions as approved by the Bank's BOD and the BSP follow:

Cash Dividends				
Date of declaration	Per share	Total amount	Record date	Payment date
January 26, 2023	0.75	320,144,562	February 10, 2023	February 27, 2023
April 27, 2023	0.75	320,144,562	May 15, 2023	May 29, 2023
July 20, 2023	0.75	320,144,562	August 4, 2023	August 22, 2023
October 19, 2023	0.75	320,144,562	November 8, 2023	November 20, 2023
January 18, 2024	0.75	320,144,562	February 2, 2024	February 19, 2024
April 25, 2024	0.75	320,144,562	May 13, 2024	May 27, 2024
July 25, 2024	0.75	320,144,562	August 9, 2024	August 27, 2024
October 17, 2024	0.75	320,144,562	November 4, 2024	November 18, 2024
January 16, 2025	0.75	320,144,562	February 3, 2025	February 17, 2025

Stock Dividends				
Date of declaration	Per share	Total amount	Record date	Payment date
March 12, 2019	11.42%	₱—	January 31, 2020	February 21, 2020

The computation of surplus available for dividend declaration in accordance with SEC Memorandum Circular No. 11 issued in December 2008 differs to a certain extent from the computation following BSP guidelines.

The following table presents information used to calculate basic EPS:

	For the Quarters ended March 31	
	2025 (Unaudited)	2024 (Unaudited)
a. Net income	₱1,210,765,792	₱1,203,702,433
b. Weighted average number of common shares for basic EPS	426,859,416	426,859,416
c. Basic/Diluted EPS (a/b)	₱2.84	₱2.82

As of March 31, 2025 and 2024, there were no potential common shares with dilutive effect on the basic EPS of the Bank.

Effect of Existing or Probable Government Regulations

Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's unimpaired capital (regulatory capital) as reported to the BSP. This is determined on the basis of regulatory accounting policies which differ from PFRS Accounting Standards in some respects.

In addition, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% for both solo basis and consolidated basis. Qualifying capital and risk-weighted assets are computed based on BSP regulations.

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 Monetary Board of the BSP.

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

On March 29, 2022, the BSP issued Circular No. 1142, Amendments to the Guidelines on the Computation of Minimum Required Capital and Risk-Based Capital Adequacy Ratio, which provides amended guidelines on the computation of the minimum required capital and the risk-based capital adequacy ratio.

The Bank considered BSP regulations, which set out a minimum CET1 ratio of 6.00% and Tier 1 capital ratio of 7.50%, and require capital conservation buffer of 2.50% comprised of CET1 capital. The BSP's existing requirement for Total CAR remains unchanged at 10.00% and these ratios shall be maintained at all times.

Regulatory qualifying capital consists of Tier 1 (going concern) capital, which comprises capital stock, surplus, surplus reserves, net unrealized gains on FVOCI securities, cumulative foreign currency translation and remeasurements of net defined benefit asset. Certain adjustments are made to PFRS-based results and reserves, as prescribed by the BSP. The other component of regulatory capital is Tier 2 (gone-concern) capital, which is comprised of the Bank's general loan loss provision. Certain items are deducted from the regulatory Gross Qualifying Capital, such as but not limited to, outstanding unsecured credit accommodations, both direct and indirect, to DOSRI, and unsecured loans, other credit accommodations, and guarantees granted to subsidiaries and affiliates (net of specific provisions), deferred tax assets, goodwill, other intangible assets and significant minority investments in a joint venture.

Risk-weighted assets are determined by assigning defined risk weights to amounts of on-balance sheet exposures and to the credit equivalent amounts of off-balance sheet exposures.

On October 29, 2014, the BSP issued Circular No. 856 which covers the implementing guidelines on the framework for dealing with domestic systemically important banks (DSIBs) in accordance with the Basel III standards. Banks identified as DSIBs shall be required to have higher loss absorbency, on top of the minimum CET1 capital and capital conservation buffer. Compliance with this requirement was phased-in starting January 1, 2017, with full compliance on January 1, 2019. On September 27, 2019, the BSP issued Circular No. 1051 which covers the enhancements in the assessment methodology of D-SIBs. The Bank has complied with this requirement.

The issuance of BSP Circular No. 639 covering the Internal Capital Adequacy Assessment Process (ICAAP) in 2009 supplements the BSP's risk-based capital adequacy framework under BSP Circular No. 538. In compliance with this new circular, the Metrobank Group has adopted and developed its ICAAP framework to ensure that appropriate level and quality of capital are maintained by the Group. Under this framework, the assessment of risks extends beyond the Pillar 1 set of credit, market and operational risks and onto other risks deemed material by the Group. The level and structure of capital are assessed and determined in light of the Group's business environment, plans, performance, risks and budget, as well as regulatory directives. The Bank follows the Group's ICAAP framework and submits the result of its assessment to the Parent Company. Per BSP Circular No. 869, effective January 31, 2015, submission of an ICAAP document is required by BSP every March 31 of each year. The Bank has complied with this requirement.

The Bank has taken into consideration the impact of the foregoing requirements to ensure that the appropriate level and quality of capital are maintained on an ongoing basis. As of March 31, 2025 and December 31, 2024, the CAR as reported to the BSP, were at 23.47% and 23.69%, respectively.

BASEL III Leverage Ratio (BLR)

On June 9, 2015, the BSP issued Circular No. 881 covering the implementing guidelines on the Basel III Leverage Ratio Framework which is designed to act as a supplementary measure to the risk-based capital requirements and shall not be less than 5.0 percent. The monitoring period has been set every

quarter starting December 31, 2014 and extended until June 30, 2018 under BSP Circular No. 990 issued on January 22, 2018. Effective July 1, 2018, the monitoring of the leverage ratio was implemented as a Pillar I minimum requirement.

The Basel III Leverage Ratio is designed to act as a supplementary measure to the risk-based capital requirements. The Basel III Leverage Ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as percentage. Capital measure is the Tier 1 capital. Exposure measure is the sum of on-balance sheet exposures, derivative exposures, security financing exposures and off-balance sheet items. The leverage ratio shall not be less than 5.0 percent computed on both solo (head office plus branches) and consolidated bases (including subsidiary financial allied undertakings but excluding insurance companies).

As of March 31, 2025 and December 31, 2024, the Bank maintains these ratios above minimum requirements as shown in the table below (in millions):

	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
A. Capital Measure	₱39,728	₱38,475
B. Exposure Measure	218,463	212,648
C. Basel III Leverage Ratio (A/B)	18.19%	18.09%

Summary Comparison of Accounting Assets and Common Disclosure vs. Leverage Ratio Exposures as of March 31, 2025 and December 31, 2024 are shown in the table below (in millions):

Summary Comparison of Accounting Assets vs. Leverage Ratio Exposure	March 31, 2025	December 31, 2024	Common Disclosure vs. Leverage Ratio Exposure	March 31, 2025	December 31, 2024
Total consolidated assets	₱220,559	₱214,892	On-balance sheet exposures	₱212,438	₱212,623
Adjustments for derivative financial instruments	—	—	Derivative exposures	—	—
Adjustments for securities financial transactions	—	—	Securities financing transaction exposures	6,000	—
Adjustments for off-balance sheet items	25	25	Other off-balance sheet exposures	25	25
Other adjustments	(2,121)	(2,269)	Tier 1 capital	39,728	38,475
			Total Leverage Ratio exposures	₱218,463	₱212,648
Leverage Ratio Exposures	₱218,463	₱212,648	Basel III Leverage Ratio	18.19%	18.09%

Liquidity Coverage Ratio

On March 10, 2016 and February 8, 2018, the BSP issued Circular Nos. 905 and 996, respectively, which include guidelines on LCR, and LCR disclosure standards that are consistent with the Basel III framework. The LCR is the ratio of high-quality liquid assets (HQLAs) to total net cash outflows. To promote the short-term resilience of the liquidity risk profile of the Bank, it shall maintain an adequate stock of unencumbered HQLAs that consists of cash or assets that can be converted into cash at little or no loss of value in private markets, to meet its liquidity needs under stressed conditions. The stock of liquid assets should enable the Bank to withstand significant liquidity shocks for at least thirty (30) calendar days, which would give time for corrective actions to be taken by the Bank's management and/or the BSP.

On March 15, 2019, the BSP issued Circular No. 1035 which approved the: (1) extension of the observation period of the minimum Basel III LCR requirement to December 31, 2019 for subsidiary banks and quasi-banks (QBs) of universal and commercial banks (U/KBs), (2) adoption of a seventy percent (70.00%) LCR floor for subsidiary banks and QBs during the observation period, (3)

minimum requirement of one hundred (100.00%) starting January 1, 2020. As of March 31, 2025 and December 31, 2024, the LCR in single currency as reported to the BSP, is 161.53% and 181.64%, respectively.

Net Stable Funding Ratio

On June 6, 2018, the BSP issued Circular No. 1007, covering the implementing guidelines on the adoption of the Basel III Framework on Liquidity Standards - NSFR. The NSFR limits overreliance on short-term wholesale funding and promotes enhanced assessment of funding risk across all on- and off-balance sheet accounts. The NSFR complements the LCR, which promotes short term resilience of the Bank's liquidity profile. The covered bank shall maintain an NSFR of at least 100.0 percent at all times. Compliance with this requirement was phased-in effective July 1, 2018, with full implementation of the minimum NSFR on January 1, 2019.

On March 15, 2019, the BSP issued Circular No. 1034 which approved the extension of the observation period for the Basel III Framework on Liquidity Standards - NSFR for subsidiary banks/quasi-banks.

The implementation of the minimum NSFR shall be phased in to help ensure that the covered banks/QBs can meet the standard through reasonable measures without disrupting credit extension and financial market activities. In order to facilitate compliance, covered banks/QBs shall undergo an observation period before the NSFR becomes a minimum requirement. Subsidiary banks/QBs of U/KBs shall be subject to an NSFR floor of seventy percent (70.00%) during the observation period. Starting January 1, 2020, the minimum NSFR for subsidiary banks/quasi-banks of universal and commercial banks (UBs/KBs) shall be 100.00%. As of March 31, 2025 and December 31, 2024, the NSFR as reported to the BSP, were at 123.89% and 125.98%, respectively.

Basel III Countercyclical Capital Buffer

On December 6, 2018, the BSP issued Circular No. 1024 covering the Philippine adoption of the Basel III Countercyclical Capital Buffer (CCyB) which imposed the following capital buffers:

- Capital Conservation buffer (CCB) of two and a half percent (2.50%); and
- Countercyclical capital buffer (CCyB) of zero percent (0.00%) subject to upward adjustment to a rate determined by the Monetary Board of the BSP when systemic conditions warrant but not to exceed two and a half percent (2.50%). Any increase in the CCyB rate shall be effective 12 months after its announcements. Decreases shall be effective immediately.

The prescribed ratios shall be maintained at all times.

Applicable Tax Regulations

Under Philippine tax laws, the Bank is subject to percentage and other taxes (presented as 'Taxes and licenses' in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp tax (DST). Income taxes include corporate income tax, further discussed below, and final taxes paid at the rate of 20.00%, which is a final withholding tax on gross interest income from government securities and other deposit substitutes.

On March 26, 2021, RA 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% effective July 1, 2020. With the implementation of this Act, the allowable deduction for interest expense was reduced from 33% to 20.00% of the interest income subject to final tax.

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 Bank's income tax liability and taxable income, respectively, over a three-year period from the year of inception. For the taxable years 2020, 2021 and 2022, the NOLCO incurred can be carried over as a deduction for the next five (5) consecutive taxable years, pursuant to Revenue Regulation (RR) No. 25-2020.

Starting July 1, 2008, the Optional Standard Deduction (OSD) equivalent to 40.00% of gross income may be claimed as an alternative deduction in computing for the RCIT. The Bank elected to claim itemized expense deductions instead of the OSD in computing for the RCIT in 2025 and 2024.

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 regulations, EAR expense allowed as a deductible expense for a service company is limited to the actual EAR paid or incurred but not to exceed 1.00% of net revenue.

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 OBUs is taxed at 15.00% in 2025 and 2024. Under current tax regulations, the income derived by the FCDU from foreign currency transactions with non-residents, OBUs, local commercial banks, including branches of foreign banks, is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10.00% income tax.

Financial Soundness Indicators

The following ratios measure the financial performance of the Bank:

	March 31, 2025	December 31, 2024
	(Unaudited)	(Audited)
Return on average assets (1)*	2.21%	2.29%
Return on average equity (2)*	10.85%	12.36%
Net interest margin on average earning assets (3)	6.66%	6.00%
Liquidity ratio (4)	17.66%	20.09%
Debt-to-equity ratio (5)	3.92:1	3.91:1
Asset-to-equity ratio (6)	4.92:1	4.91:1
Interest rate coverage ratio (7)	2.36:1	2.30:1

*Computed based on annualized net income

- (1) Net income divided by average total assets for the period indicated. Average total assets is based on outstanding balances at the beginning and end of the period divided by two.
- (2) Net income divided by average total equity for the period indicated. Average total equity is based on outstanding balances at the beginning and end of the period divided by two.
- (3) Net interest income divided by average interest-earning assets for the period indicated. Average interest-earning assets is based on outstanding balances at the beginning and end of the period divided by two. (Earning assets comprised of Due from BSP – Overnight and Term Deposit Facility, Due from Other Banks, Interbank Loans Receivable and Securities Purchased Under Resale Agreements, Loans & Discounts (Current), Bills Purchased, and Sales Contract Receivables, Financial Assets at Fair Value Through Profit or Loss (FVTPL), Financial Assets at Fair Value Through Other Comprehensive (FVOCI), Financial Assets at Amortized Cost, and Other Assets - Liquidity requirement for electronic money products.
- (4) Derived by dividing the current assets by current liabilities.
- (5) This is computed by dividing total liabilities by total stockholder's equity
- (6) This is computed by dividing total assets by total stockholder's
- (7) Calculated by dividing the total earnings before interest and taxes over interest expense

16. Miscellaneous Income

This account consists of:

	For the Quarters ended March 31	
	2025	2024
	(Unaudited)	(Unaudited)
Recovery of charged-off assets	₱109,051,070	₱65,733,736
Insurance commission income	28,794,697	21,456,489
Rental income	16,300,348	14,164,570
Others	15,765,641	24,457,884
	₱169,911,756	₱125,812,679

Rental income arises from the lease of properties and safety deposit boxes of the Bank.

Other miscellaneous income includes renewal fees, checkbook charges, break funding cost and other miscellaneous income. Accretion of modified loans amounted to ₱4.81 million and ₱12.8 million in March 31, 2025 and 2024, respectively.

17. Interest Expense on Deposit Liabilities and Miscellaneous Expenses

Interest expense on deposit liabilities consists of:

	For the Quarter ended March 31	
	2025	2024
	(Unaudited)	(Unaudited)
Time	₱1,001,313,856	₱1,253,972,647
Demand	12,266,197	12,335,243
Savings	11,248,084	11,143,679
LTNCD	—	12,715,457
	₱1,024,828,137	₱1,290,167,026

Miscellaneous expenses account consists of:

	For the Quarter ended March 31	
	2025	2024
	(Unaudited)	(Unaudited)
Insurance	₱90,947,248	₱92,295,000
Information technology	62,046,460	114,266,571
Litigation	36,408,638	65,710,333
Communications	27,907,483	33,886,437
Advertising	17,732,198	12,900,199
Supervision and examination fees	14,154,126	19,244,786
Stationery and supplies	12,396,134	2,418,154
Repairs and maintenance	12,062,164	22,205,578
Transportation and traveling	10,645,150	15,509,409
Management and professional fees	7,155,708	7,765,342

(Forward)

	For the Quarter ended March 31	
	2025	2024
	(Unaudited)	(Unaudited)
Banking activities expenses	₱4,149,487	₱4,523,083
Training and seminars	2,976,492	4,424,232
Fines, penalties and other charges	1,694,347	1,581,791
Membership fees and dues	1,187,510	1,014,228
Donations and charitable contributions	135,000	2,787,000
Others	5,117,956	2,275,972
	₱306,716,101	₱402,808,115

Insurance expense includes premiums paid to the Philippine Deposit Insurance Corporation (PDIC) amounting to million ₱82.96 million and ₱92.30 million in March 31, 2025 and 2024, respectively.

Other expenses include entertainment, amusement and recreation (EAR), rewards and incentives, meeting allowance, sponsorship expenses, home free loan expenses, appraisal fees and notarial fees.

18. 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 Bank's related parties are as follows:

- Bank's Directors, Officers, Stockholders and their Related Interests (DOSRI) as defined per BSP's existing DOSRI rules and regulations;
- Close Family Members (i.e., 2nd degree relatives) of the Bank's Directors, Officers with rank of SVP and up, and Individual Substantial Stockholders;
- Bank's Subsidiaries and Affiliates as defined per BSP's existing rules and regulations on lending to subsidiaries and affiliates;
- Any party that the Bank exerts direct or indirect control over or that exerts direct or indirect control over the Bank;
- Subsidiaries, Affiliates and Special Purpose Entities (SPEs) of any party that the Bank exerts direct or indirect control over or that exerts direct or indirect control over the Bank;
- Corresponding Persons in Affiliated Companies as defined in the Bank's Related Party Transaction (RPT) Policy; and
- Any natural person or juridical entity whose interest may pose potential conflict with the Bank's interest.

The Bank has several business relationships with related parties. The terms of the transactions with such parties are listed below on substantially the same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties, and are usually settled in cash. These transactions also did not involve more than the nominal risk of collectability or present other unfavorable conditions.

Transactions with the Retirement Plan

On December 20, 2012, the SEC issued Memorandum Circular No. 12 providing for guidelines on the disclosure of transactions with retirement benefit funds. Under said circular, a reporting entity shall disclose information about any transaction with a related party (retirement fund, in this case) and outstanding balances necessary for an understanding of the potential effect of the relationship on the financial statements.

Under PFRS Accounting Standards, certain post-employment benefit plans are considered as related parties. The Bank has business relationships with its retirement plan pursuant to which it provides trust and management services to the said plan. The retirement plan of the employees of the Bank is being managed and maintained by the Trust Division of the Bank.

The following table shows the amount of outstanding balances of related party transactions of the Bank with the retirement plan of the employees of the Bank as of March 31, 2025 and December 31, 2024:

Related Party	Nature of Transaction	March 31, 2025 (Unaudited)	
		Elements of Transaction	
		Statement of Condition	Statement of Income
Philippine Savings Bank	Savings Deposit	₱17,938,367	₱-
	Investment in Money Market Fund*	40,659,705	-
	Income from UITF**	-	414,620
	Interest income	-	5,643
First Metro ETF	Equity investment***	22,397,659	-
*Includes fair value gains of ₱2.9 million			
**Includes fair value gains of ₱0.41 million			
***Includes fair value loss of ₱1.9 million			

Related Party	Nature of Transaction	December 31, 2024 (Audited)	
		Elements of Transaction	
		Statement of Condition	Statement of Income
Philippine Savings Bank	Savings Deposit	₱17,827,917	₱-
	Investment in Money Market Fund*	40,245,085	-
	Income from UITF**	-	1,775,901
	Interest income	-	17,250
First Metro ETF	Equity investment***	23,417,750	-
*Includes fair value gains of ₱2.4 million			
**Includes fair value gains of ₱0.5 million			
***Includes fair value loss of ₱0.9 million			

Transactions relating to the Bank's retirement plan are approved by its Retirement Committee. The voting right over the investments in the Bank's capital stocks is exercised by a member of the Retirement Committee as approved by all members of the Retirement Committee, whom are senior officers of the Bank.

Remunerations of Directors and Other Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly. The Bank considers the members of the Management Committee to constitute key management personnel for purposes of PAS 24, *Related Party Disclosures*.

Total remunerations of key management personnel (covering assistant vice presidents and up) included under 'Compensation and fringe benefits' in the statements of income are as follows:

	March 31, 2025 (Unaudited)	March 31, 2024 (Unaudited)
Short-term employee benefits	₱131,044,977	₱130,418,818
Post-employment pension benefits	3,514,646	5,391,345
	₱134,559,623	₱135,810,163

Short-term employee benefits include salaries and other non-monetary benefits.

Remuneration given to directors, as approved by the Board Remuneration Committee, amounted to ₱4.0 million and ₱3.7 million in March 31, 2025 and 2024.

The Bank also provides banking services to directors and other key management personnel and persons connected to them.

Other Related Party Transactions

Other related party transactions of the Bank by category of related party are presented below. The following tables show the amount and outstanding balances included in the financial statements (in thousands):

Category	March 31, 2025 (Unaudited)		
	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Parent Company			
Due from other banks	(P166,523)	P1,127,919	Short term peso and foreign-currency denominated deposits with fixed rates ranging from 0.05% to 5.00%
Financial assets at amortized cost	–	60,000	Pledged for security of payroll account with MBTC
Interbank call loans receivable	–	–	Peso denominated lending with fixed interest rate ranging from 5.81% to 5.94% maturities ranging from 1 to 5 days, secured
Placements	186,074,000	–	Php 0.00
Maturities	(186,074,000)	–	–
Accounts receivable	549	3,529	Outstanding ATM service fees, rental and utility receivables, non-interest bearing; no impairment
Prepaid Expenses	53,777	53,777	Advance payments of rent and IT related transactions
Miscellaneous assets	–	1,713	Security deposits on lease contracts
Miscellaneous liabilities	(286)	11,967	Advance payments of security deposits from various tenants
Deposit liabilities	89,817	143,515	Short term peso and foreign-currency denominated deposits
Accrued other expense payable	(29,445)	12,040	Outstanding information technology expense payable
Interest income	44,291	–	Income on deposits and interbank call loans receivables
Rental income	7,404	–	Income from leasing agreements with various lease terms ranging from 1 to 5 years
Rent expense	–	–	Payment of rent
Information technology expense	66,780	–	Payment of information technology transactions
Interest expense	522	–	Interest from bills payable
Securities transactions	–	–	–
Outright purchases	2,000,000	–	Outright purchase of FVOCI investments
Joint Venture			
Investment in a joint venture	25,277	917,314	Outstanding balance of capital investment in SMFC
Dividends from joint venture	–	–	Dividends from SMFC
Accounts receivable	(150)	913	Outstanding rental and utility receivables, non-interest bearing
Deposit liabilities	144,223	375,049	Demand and short-term peso time deposits with annual fixed rates of 0.25% to 5.25%
Accrued interest payable	538	1,355	Interest payable on deposit liabilities
Miscellaneous liabilities	–	10,540	Advance payment of security deposits
Rental income	4,695	–	Income from leasing agreements
Interest expense	4,497	–	Interest on deposit liabilities
Other Related Parties (DOSRI/Indirect)			
Receivable from customers	–	1,120,940	Peso denominated lending which earn 5.04% to 6.00% with maturity terms from 1 to 15 years (excluding key personnel); mostly unsecured, with ECL
Placements	(446)	–	–
Maturities	–	–	–
Miscellaneous assets	(6)	2,703	Security deposits
Accounts receivable	(910)	1,846	Outstanding ATM service fees, rental and utility receivables, non interest bearing
Prepaid insurance	(538)	4,354	Payment of various motor car vehicles, fire, money, security, payroll and robbery insurance
Prepaid Expenses	286	286	Advance payment of rent
Deposit liabilities	7,790,848	9,784,890	Demand, savings and short-term peso and foreign currency time deposits with fixed rates ranging from 0.00% to 5.65%
Accrued other expense payable	(446)	–	Outstanding group life insurance
Accrued interest payable	21,106	26,568	Interest payable on deposit liabilities
Accounts payable	–	206	Various personal and car insurance payable
Miscellaneous liabilities	–	6,878	Advance payment of security deposits
Rental income	2,627	–	Income from leasing agreements with various lease terms
Miscellaneous income	16,301	–	Miscellaneous income from insurance
Insurance expense	14,227	–	Payment of insurance premium
Interest expense	117,869	–	Interest on deposit liabilities
Rent expense	82	–	Payment of rent expense to various lessors
Securities transactions	–	–	–
Outright purchases	–	–	Outright purchase of Financial Assets at amortized cost
Key Personnel			
Receivables from customers	–	13,801	Unsecured, no impairment, with annual fixed interest rates of 3.00% to 6.00%
Availments	4,907	–	–
Maturities	5,257	–	–
Interest income	297	–	Interest income from loans

Category	December 31, 2024 (Audited)		
	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Parent Company			
Due from other banks	₱165,388	₱1,294,442	Short term peso and foreign-currency denominated deposits with fixed rates ranging from 0.05% to 5.00%
Financial assets at amortized cost	–	60,000	Pledged for security of payroll account with MBTC
Interbank call loans receivable	–	–	Peso denominated lending with fixed interest rate ranging from 5.94% to 6.59% maturities ranging from 1 to 5 days, secured
Placements	–	–	Php 0.00
Maturities	–	–	–
Accounts receivable	(444)	2,980	Outstanding ATM service fees, rental and utility receivables, non-interest bearing; no impairment
Miscellaneous assets	856	1,713	Security deposits on lease contracts
Miscellaneous liabilities	8,695	12,253	Advance payments of security deposits from various tenants
Deposit liabilities	–	53,698	Short term peso and foreign-currency denominated deposits
Accrued other expense payable	16,182	41,485	Outstanding information technology expense payable
Interest income	94,208	–	Income on deposits and interbank call loans receivables
Rental income	23,183	–	Income from leasing agreements with various lease terms ranging from 1 to 5 years
Rent expense	2,338	–	Payment of rent
Information technology expense	165,206	–	Payment of information technology transactions
Interest expense	6,938	–	Interest from bills payable
Securities transactions	–	–	–
Outright purchases	24,187,700	–	Outright purchase of FVOCI investments
Joint Venture			
Investment in a joint venture	48,188	892,037	Outstanding balance of capital investment in SMFC
Dividends from joint venture	32,701	–	Dividends from SMFC
Accounts receivable	779	1,064	Outstanding rental and utility receivables, non-interest bearing
Deposit liabilities	(158,225)	230,826	Demand and short-term peso time deposits with annual fixed rates of 0.25% to 5.75%
Accrued interest payable	818	818	Interest payable on deposit liabilities
Miscellaneous liabilities	2,679	10,540	Advance payment of security deposits
Rental income	18,855	–	Income from leasing agreements
Interest expense	22,830	–	Interest on deposit liabilities
Other Related Parties (DOSRI/Indirect)			
Receivable from customers	–	1,120,495	Peso denominated lending which earn 5.04% to 6.00% with maturity terms from 1 to 15 years (excluding key personnel); mostly
Placements	–	–	unsecured, with ECL
Maturities	(20,587)	–	–
Miscellaneous assets	(1,430)	2,708	Security deposits
Accounts receivable	1,711	2,756	Outstanding ATM service fees, rental and utility receivables, non interest bearing
Prepaid insurance	667	4,893	Payment of various motor car vehicles, fire, money, security, payroll and robbery insurance
Deposit liabilities	(1,773,070)	1,994,042	Demand, savings and short-term peso and foreign currency time deposits with fixed rates ranging from 0.00% to 5.88%
Accrued other expense payable	–	446	Outstanding group life insurance
Accrued interest payable	5,462	5,462	Interest payable on deposit liabilities
Accounts payable	661	206	Various personal and car insurance payable
Miscellaneous liabilities	2,101	6,878	Advance payment of security deposits
Rental income	11,745	–	Income from leasing agreements with various lease terms
Miscellaneous income	21,851	–	Miscellaneous income from insurance
Insurance expense	53,370	–	Payment of insurance premium
Interest expense	313,314	–	Interest on deposit liabilities
Rent expense	222	–	Payment of rent expense to various lessors
Securities transactions	–	–	–
Outright purchases	3,160,000	–	Outright purchase of Financial Assets at amortized cost
Key Personnel			
Receivables from customers	–	14,151	Unsecured, no impairment, with annual
Availments	3,067	–	fixed interest rates of 3.00% to 6.00%
Maturities	2,830	–	and maturities ranging from 1 to 15 years
Interest income	1,193	–	Interest income from loans

19. Commitments and Contingent Liabilities

In the normal course of the Bank's operations, there are various outstanding commitments and contingent liabilities such as guarantees and commitments to extend credit, which are not reflected in the accompanying financial statements. The Bank, however, does not anticipate significant losses as a result of these transactions.

The following is a summary of the Bank's commitments and contingent liabilities at their equivalent peso contractual amounts:

	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
Trust department accounts	₱9,859,036,252	₱10,249,018,666
Stand-by credit lines	79,885,313	79,885,313
Spot foreign exchange and contracts sale	28,605,000	28,922,500
Items held for safekeeping	260,767	258,875
Late deposits/payments received	38,000	—
Others	52,789	49,957

Also, several suits and claims, on behalf of or against the Bank in relation to its banking operations and labor-related cases are pending before the courts and quasi-judicial bodies. The Bank and its legal counsel believe that any losses arising from suits and claims which are not specifically provided for will not have a material adverse effect on the financial statements.

20. Subsequent Event

Cash Dividend Declaration

On April 24, 2025, the BOD of the Bank approved the declaration of a 7.5% regular cash dividend for the first quarter of 2025 for stockholders on record as of May 13, 2025 amounting to ₱320.14 million or ₱0.75 per share, to be paid on May 26, 2025.

21. Other Disclosures

- There are no unusual items of asset, liability, equity, net income or cash flow.
- No material items of changes were noted in the comparison of actual results with estimated amounts.
- No unregistered securities were sold or offered for sale by the Bank as of March 31, 2025.
- Segment revenue and result of business segments are found in subsequent tables.
- The Bank was not engaged in any business combinations, acquisitions or disposal of subsidiaries and long-term investments.

PARTIES TO THE ISSUE

ISSUER

Philippine Savings Bank
PSBank Center
777 Paseo de Roxas corner
Sedeno St., Makati City

ARRANGERS AND SELLING AGENTS

First Metro Investment Corporation
45F GT Tower International
6813 Ayala Avenue Corner
H.V. Dela Costa Street, Makati City

ING Bank N.V., Manila Branch
22/F Arthaland Century Pacific Tower
5th Avenue corner 30th Street
Bonifacio Global City, Taguig City

SELLING AGENTS

Philippine Savings Bank
PSBank Center
777 Paseo de Roxas corner
Sedeno St., Makati City

Metropolitan Bank & Trust Company
2/F The Shops at Grand Central Park,
7th Avenue cor. 36th and 38th Streets,
Bonifacio Global City

TRUSTEE

**Development Bank of the Philippines –
Trust Banking Group**
4th Floor, DBP Building
Sen Gil J. Puyat Avenue
Makati City

REGISTRAR AND PAYING AGENT

Philippine Depository & Trust Corp
37th Floor, Tower 1, Enterprise Center
6766 Ayala Avenue corner Paseo de Roxas
Makati City

LEGAL ADVISER TO THE ISSUER

Picazo Buyco Tan Fider Santos & Dee
Liberty Center – Picazo Law
104 H.V. Dela Costa St., Salcedo Village, Makati City

INDEPENDENT AUDITOR

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
Makati City



FINAL PRICING SUPPLEMENT DATED AUGUST 9, 2025

OFFER OF SERIES "C" BONDS BY PHILIPPINE SAVINGS BANK OF ₱5,000,000,000.00

Under its ₱40 Billion Bond Programme

This document constitutes the Final Pricing Supplement relating to Series "C" 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 Indenture and the Offering Circular dated July 18, 2025 (the "Offering Circular"). This Pricing Supplement contains the final terms of this Offer and the Series "C" Bonds and must be read in conjunction with the Offering Circular. Full information on the Bank and the Offer is contained in the Offering Circular and in this Pricing Supplement. All information contained in the Offering Circular are deemed incorporated by reference in this Pricing Supplement.

Issuer	Philippine Savings Bank (the "Bank")
Issue	Bonds constituting the direct, unconditional, unsecured and unsubordinated obligations of the Bank
Specified Currency or Currencies	Philippine Peso
The Offer Size	₱5,000,000,000.00
Issue Price	At par (or 100% of face value)
Form and Denomination of the Bonds	The Series "C" Bonds shall be issued in scripless form in minimum denominations of ₱100,000 each, and in multiples of ₱10,000 thereafter, and traded in denominations of ₱10,000 in the secondary market
Offer Period	The offer of the Bonds shall commence at 9:00 am on August 4, 2025 and end at 12:00 pm on August 8, 2025, or such other date as may be determined by the Issuer and the Arrangers
Issue Date	August 18, 2025
Interest Commencement Date	August 18, 2025
Interest Payment Date (s)	November 18, February 18, May 18, and August 18 of each year
Interest Rate	5.8750% per annum

Day Count Fraction	30/360 day count basis
Maturity Date	2 years from Issue Date or August 18, 2027
Rating	Unrated
Payment Account Name	PDTC as Paying Agent of Series "C" Bonds due 2027
Listing	The Series "C" Bonds will be listed on the Philippine Dealing & Exchange Corp.
Prohibited Bondholders	Persons and entities which are prohibited from purchasing holding the Series "C" Bonds of the Bank pursuant to the BSP Rules, specifically: (a) persons and entities which are prohibited from purchasing holding any Bonds of the Bank pursuant to BSP Circular No. 1010 series of 2018 as amended by BSP Circular No. 1062 series of 2019 and clarified by BSP Memorandum No. M-2020-01 dated 30 January 2020, specifically: (1) the Bank; and (2) the Bank's related parties (except for the Bank's trust department or its related trust entities) who are in possession or have access to material and non-public information affecting the pricing and marketability of the Bonds or that which substantially impacts an investor's decision to buy or sell the Bonds once the same are disseminated to the public; and (3) such other persons or entities as may be identified by the Bank, whether or not in possession or has access to material and non-public information affecting the pricing and marketability of the Bonds or that which substantially impacts an investor's decision to buy or sell the Bonds once the same are disseminated to the public; 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, which include: (1) a U.S. citizen (including dual citizen who may have another citizenship besides having a U.S citizenship); (2) a U.S. resident alien for U.S. 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); (3) a US partnership; a U.S. corporation; (4) any U.S. estate; (5) any 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 (6) any other person that is not a non-

US person; or

(d) persons classified as a Restricted Party.

A **Restricted Party** means a person that is: (i) listed on, or owned or controlled by a person listed on, or acting on behalf of a person listed on, any Sanctions List; (ii) located in, organized or resident in, incorporated under the laws of, or owned or (directly or indirectly) controlled by, or acting on behalf of, a person located in or organized under the laws of a country or territory that is the target of country-wide or territory-wide Sanctions, including, without limitation, the Crimea Region, Cuba, Iran, North Korea, Sudan and Syria; or (iii) otherwise a target of Sanctions (target of Sanctions signifying a person with whom a US person or other national of a Sanctions Authority would be prohibited or restricted by law from engaging in trade, business or other activities)

Governing Law Philippine Law

PROVISIONS RELATING TO REDEMPTION

Issuer Redemption Option N/A

Final Redemption Amount At par or 100% face value on Maturity Date

Early Redemption Date Upon election of the Bank when changes in tax, or changes in law or circumstance occur as set out in Condition 6(b) and 6(c) of the Terms and Conditions

Early Redemption Amount 100% face value plus accrued Interest, payable on redemption for changes in tax or for changes in law or circumstance (as set out in Condition 6(b) and 6(c) of the Terms and Conditions)

PARTIES

Trustee Development Bank of the Philippines – Trust Banking Group

Registrar & Paying Agent Philippine Depository & Trust Corp.

Arrangers First Metro Investment Corporation
ING Bank N.V., Manila Branch

Selling Agents Philippine Savings Bank
First Metro Investment Corporation
ING Bank N.V., Manila Branch
Metropolitan Bank & Trust Company

Market Maker ING Bank N.V., Manila Branch
Union Bank of the Philippines

THE BONDS ARE SECURITIES EXEMPT FROM REGISTRATION UNDER SECTION 9.1(E) OF THE SECURITIES REGULATION CODE AND WILL ACCORDINGLY NOT BE REGISTERED WITH THE SEC. THE BONDS ARE NOT DEPOSIT INSTRUMENTS AND ARE NOT INSURED BY THE PHILIPPINE DEPOSIT INSURANCE CORPORATION.

ADDITIONAL INFORMATION
Amendment or Supplement to the Offering Circular

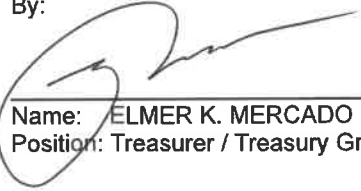
The financial statements of the Bank for the 2nd quarter of 2025 are set to be released on 14 August 2025. A copy will be made available to the public through PSE Edge on or about the same date.

The Bank confirms the information contained in this Pricing Supplement and accepts responsibility therefor.

PHILIPPINE SAVINGS BANK

Issuer and Selling Agent

By:



Name: ELMER K. MERCADO
Position: Treasurer / Treasury Group Head



Name: LEAH M. ZAMORA
Position: Controller And Finance Group Head