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If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers and Joint Bookrunners and the Selling Agents or any affiliate of the Joint Lead Managers and the Joint Bookrunners and the Selling Agents is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers and Joint Bookrunners and the Selling Agents or its affiliate on behalf of the Issuer in such jurisdiction.

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OFFERING CIRCULAR

4 March 2026



Metropolitan Bank & Trust Company

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

₱154,500,000,000

Bond and Commercial Paper Programme

Under this **₱154,500,000,000** Bond and Commercial Paper Programme (the “**Programme**”), Metropolitan Bank & Trust Company (“**Metrobank**”, “**MBT**”, the “**Bank**” or the “**Issuer**”) may offer from time to time, in one or more series of tranches, Bonds and Commercial Papers, pursuant to Bangko Sentral ng Pilipinas (“**BSP**”) Circular No. 1010 (Series of 2018) and 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 and Commercial Papers from time to time outstanding under the Programme will not exceed **₱154,500,000,000**, subject to increase as described herein. The Programme was established on 2 May 2019. On 15 December 2021, the Bank’s Board of Directors approved the increase of the allowable issuance to up to **₱200,000,000,000**.

The Bonds and Commercial Papers may be issued by the Issuer on a continuing basis through one or more of the Joint Lead Managers and Joint Bookrunners and the Selling Agents specified under “Summary of the Programme” and any additional Joint Lead Manager and Joint Bookrunner (each a “**Joint Lead Manager and Joint Bookrunner**”, and together the “**Joint Lead Managers and Joint Bookrunners**”) 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 Joint Lead Manager and Joint Bookrunner**, or the **relevant Selling Agent** shall, in the case of an issue of Bonds and/or Commercial Papers being (or intended to be) issued through more than one Joint Lead Manager and Joint Bookrunner and/or Selling Agent, be to all Joint Lead Managers and Joint Bookrunners and/or Selling Agents agreeing to subscribe to such Bonds and Commercial Papers.

The Bonds and Commercial Papers will constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer. The Bonds and Commercial Papers 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 and Commercial Papers will not be rated. However, the Bank has a “Baa2” rating for its long-term local currency bank deposits from Moody’s Investor Service (“**Moody’s**”). The Bank also has a Long-Term Local Currency Issuer Default Rating of “BBB-” from Fitch Ratings (“**Fitch**”). 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 and Commercial Papers.

The Bonds and Commercial Papers will be issued in scripless form. The Bonds and Commercial Papers will be represented by a Master Certificate of Indebtedness which will be deposited with the Trustee. It is intended that, upon issuance, the Bonds and Commercial Papers 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 and Commercial Papers in accordance with the regulations of the BSP. Once lodged, the Bonds and Commercial Papers 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 and Commercial Papers shall be coursed through an accredited exchange.

The Bonds and Commercial Papers will be listed in the trading platform of the Philippine Dealing & Exchange Corp. (“**PDEX**”) for secondary market trading pursuant to the BSP rules. Upon listing of the Bonds and Commercial Papers 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.

Joint Lead Managers and Joint Bookrunners and Selling Agents



Selling Agent



The Bonds and Commercial Papers will be issued pursuant to BSP Circular No. 1010 (Series of 2018) and Circular No. 1062 (Series of 2019) and other related circulars and issuances of the BSP (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.

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 and Commercial Papers.

The Bank confirms that this document contains all information with respect to the Bank and its subsidiaries and associates (collectively, the "**Group**" or "**MBT Group**") and the Bonds and Commercial Papers which is material in the context of the issue and offering of the Bonds and Commercial Papers, 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 and Commercial Papers, 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 and Commercial Papers, 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**"), ING Bank N.V., Manila Branch ("**ING**") and Standard Chartered Bank ("**SCB**", and together with First Metro and ING, the "**Joint Lead Managers and Joint Bookrunners**") or any person affiliated with the Joint Lead Managers and Joint Bookrunners 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 and Commercial Papers other than as contained in this Offering Circular and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Bank, the Joint Lead Managers and Joint Bookrunners or the Selling Agents (as defined below).

To the fullest extent permitted by law, none of the Joint Lead Managers and Joint Bookrunners and First Metro, ING, Metropolitan Bank & Trust Company, and SCB (in their capacity as selling agents, the "**Selling Agents**" and each, a "**Selling Agent**") accepts any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by the Joint Lead Managers and Joint Bookrunners and the Selling Agents or on its behalf in connection with the Bank, or the issue and offering of the Bonds and Commercial Papers. The Joint Lead Managers and Joint Bookrunners and the 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 Joint Lead Managers and Joint Bookrunners and the 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 and Commercial Papers 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 Joint Lead Managers and Joint Bookrunners and the Selling Agents or any of its respective affiliates or representatives is making any representation to any purchaser of Bonds and Commercial Papers 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 and Commercial Papers 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 and Commercial Papers.

The Joint Lead Managers and Joint Bookrunners and the 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 Joint Lead Managers and Joint Bookrunners and the 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 Joint Lead Managers and Joint Bookrunners and the Selling Agents and/or their affiliates may purchase Bonds and Commercial Papers 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 Commercial Papers 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 and Commercial Papers, 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 and Commercial Papers to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds).

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers and Joint Bookrunners and the Selling Agents or any affiliate of the Joint Lead Managers and Joint Bookrunners and the Selling Agents is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers and Joint Bookrunners and the Selling Agents or its affiliate on behalf of the Issuer in such jurisdiction.

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

This Offering Circular 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 and Commercial Papers 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 Commercial Papers, and must obtain the necessary consent, approval, or permission for its purchase, or offer to purchase such Bonds and Commercial Papers 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 Joint Lead Managers and Joint Bookrunners and the 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 “P” 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 Joint Lead Managers and Joint Bookrunners 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.

Unless otherwise indicated, the description of the Bank’s business activities in this Offering Circular is presented on a consolidated basis. For further information on the Group, see “Description of the Bank — Subsidiaries and Associates”.

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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 consolidated annual financial statements and, if published later, the most recently published unaudited interim 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.

Any published unaudited interim financial statements of the Issuer which are, from time to time, deemed to be incorporated by reference in this Offering Circular will not have been audited or subjected to review by the auditors of the Issuer, as the case may be. Accordingly, there can be no assurance that, had an audit or 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 upon them (see “Investment Considerations – Considerations relating to the Bonds and Commercial Papers – Risks relating to unaudited interim financial statements deemed incorporated by reference”).

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 and Commercial Papers, subject to the terms as set out herein. A summary of the terms and conditions of the Bonds and Commercial Papers appears below. The applicable terms of any Bond and Commercial Papers will be agreed between the Issuer and the relevant Joint Lead Managers and Joint Bookrunners prior to the issuance and will be set out in the Terms and Conditions of the Bonds and Commercial Papers endorsed on, attached to, or incorporated by reference into, the Bonds and Commercial Papers, as modified and supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Bonds and Commercial Papers.

This Offering Circular and any supplement will only be valid for listing Bonds and Commercial Papers on PDS in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Bonds and Commercial Papers previously or simultaneously issued under the Programme, does not exceed ₱154,500,000,000.

OFFERING CIRCULAR SUMMARY

This summary highlights information contained elsewhere in this Offering Circular. This summary is qualified by, and must be read in conjunction with, the more detailed information and financial statements appearing elsewhere in this Offering Circular. You should read this entire Offering Circular carefully, including the Bank's consolidated financial statements and related notes and "Investment Considerations".

OVERVIEW

Metropolitan Bank & Trust Company (the "**Bank**" or the "**Issuer**") is a universal bank based in the Philippines which provides, through itself and other members of the Group, a wide range of banking and other financial products and services including corporate, commercial and consumer banking products and services as well as credit card, investment banking and trust services. As of 31 December 2025, the Group was the second largest private universal Philippine bank by asset size, with total assets of ₱3.9 trillion and capital of ₱432.2 billion, and had the highest Tier 1 capital ratio and total capital ratio amongst the three largest private universal Philippine banks. The Group was also among the top three Philippine banks in terms of net loans and receivables with an outstanding balance of ₱2.0 trillion based on publicly available data from the BSP. The Group was among the top three largest Philippine banks by total deposits with ₱2.7 trillion as of 31 December 2025 based on publicly available data from the BSP, and, according to the BSP, also controlled 13.0% of the Philippine banking system's total asset base as of 31 December 2025.

The Group offers corporate and commercial banking products and services throughout the Philippines. The Group's corporate banking services consist of banking services provided to corporate customers (generally recognized by the Bank as the top 1,000 Philippine companies, multinational companies and Government-owned and controlled companies). The Group's commercial banking services consist of banking services provided to mid-market clients and SMEs. As of 31 December 2023, 2024 and 2025, corporate and commercial loans represented 78.4%, 78.9% and 77.9% of the Group's total loan portfolio, respectively.

The Group, through the Bank and the Philippine Savings Bank ("**PSBank**") (an 88.4%-owned subsidiary of the Bank as of 31 December 2025), is also a leading provider of consumer banking products and services in the Philippines. Through its network of branches, the Group offers a wide range of deposit, credit card, mortgage and vehicle finance products and services, targeted primarily at its existing customers. The Bank offers a variety of products to high net worth individuals, which is a growing demographic group in the Philippines.

The Group offers investment, trust and private banking services, leasing, insurance, securities brokering and investment banking services through the Bank and its subsidiaries. For further information, see "*Description of the Bank – Subsidiaries and Associates*".

As of 31 December 2025, the Group had a total of 967 branches in the Philippines, of which 717 were operated by the Bank and 250 were operated by PSBank. The Group had a total of 2,242 ATMs as of 31 December 2025. The Bank's international operations consist of branches in Taipei, New York, Tokyo, Seoul, and Osaka, together with representative offices in Beijing and Hong Kong. The Bank also has an extensive network of remittance centers in Asia, Europe and North America which has enabled it to become a leading provider of remittance services to OFWs. As of 31 December 2023, 2024 and 2025, the Group's total assets amounted to ₱3.1 trillion, ₱3.5 trillion and ₱3.9 trillion, respectively, while equity attributable to equity holders of the Bank amounted to ₱356.7 billion, ₱385.5 billion and ₱421.7 billion, respectively. Consolidated net income attributable to equity holders of the Bank for the years ended 31 December 2023, 2024 and 2025 amounted to ₱42.2 billion, ₱48.1 billion and ₱49.7 billion, respectively.

The Bank has been listed on the PSE since February 1981 after its initial public offering. The Bank's market capitalization as of 31 December 2025 was ₱308.0 billion. The Bank was founded by the late Dr. George S.K. Ty. GT Capital Holdings, Inc. (**GT Capital**) is the single largest shareholder of the Bank, owning 39.84% of the Bank's outstanding shares as of 31 December 2025. As of 31 December 2023, 2024 and 2025 the Group's Tier 1 and total capital adequacy ratios as reported to the BSP were 17.4%, 15.9% and 16.1%, and 18.3%, 16.7% and 16.8%, respectively.

Over the years, the Bank has consistently received accolades from local and international award-giving bodies. In 2025, the Bank was named Best Bank for Corporate Social Responsibility in the Philippines by Euromoney for a second consecutive year. The Bank is the first Philippine financial institution to be recognized as the Strongest Bank in the Philippines by The Asian Banker, winning five years in a row during 2021, 2022, 2023, 2024 and 2025.

Each of the Bank's product segments is among the leaders in the Philippine banking industry. In retail banking, the Group has the second largest car financing portfolio and the third largest housing portfolio based on internal and analyst estimates. In the credit cards business, the Bank ranks second in terms of receivables and has the third largest number of credit cards in force, based on the December 2025 report of the Credit Card Association of the Philippines, with 1.6 million cards in force. The Group has the third largest trust business with assets under management (**AUM**) of ₱955.8 billion based on publicly available reports submitted by Philippine banks to the BSP, as of 31 December 2025. In the trust banking space, the Bank was awarded at the Citywire ASEAN Awards 2025, the group was honored with Best CIO Office, Best Investment

OFFERING CIRCULAR SUMMARY

Services, and Top 25 ASEAN Selector in the Philippines, affirming the Group's robust investment governance, disciplined portfolio management, and consistent performance across market cycles. In addition, the Group is also a leading provider of trade finance services to large corporates and middle market companies and one of the leading providers of remittance services.

First Metro Investment Corporation (**First Metro**) is a leading investment bank in the Philippines with sixty-two years of service in the development of the country's capital markets. It is 99.3% owned by Metropolitan Bank & Trust Company and is the investment banking arm of the Metrobank Group, one of the largest financial conglomerates in the country. First Metro is licensed by the Securities & Exchange Commission to engage in underwriting and distribution of securities to the public. First Metro offers a wide range of services, from debt and equity underwriting to loan syndication, acquisition and project finance, and financial advisory. First Metro brings proven expertise in deal origination, structuring, and execution. In 2025, First Metro participated in capital market transactions which the Bank believes were significant and impactful deals that demonstrate the depth and breadth of its knowledge and understanding of the capital markets. First Metro continues to be a leader in the domestic bond market as it was one of the Joint Issue Managers, and Joint Lead Underwriters and Joint Bookrunners of the maiden bond issuance of Metro Pacific Tollways Corporation. First Metro also received multiple awards from international and local institutions in 2025 such as Best DCM House Philippines – *FinanceAsia Awards*, Best Blue Bond: Maynilad Water Services, Inc.'s P15 billion Blue Bonds – *The Asset Triple A Sustainable Finance Awards 2025*, and Sustainability-Linked Bond of the Year : Ayala Land Sustainability-Linked Bond (Tranche 2) – *Asian & Finance Corporate & Investment Banking Awards 2025*, to name a few. First Metro's stockbrokerage arm, First Metro Securities Brokerage Corporation (**First Metro Securities**), was recognized as the Best Broker – Domestic by FinanceAsia for the second consecutive year, affirming its leadership in brokerage services and market expertise. First Metro's total assets stood at ₱22.8 billion as of 31 December 2025, compared with ₱20.7 billion and ₱32.2 billion as of 31 December 2024 and 31 December 2023, respectively. First Metro's capital level as of 31 December 2025 was ₱15.0 billion, representing a 4.5% decrease from ₱15.7 billion as of 31 December 2024. This resulted in a risk-based capital adequacy ratio (RBCA) of 1,538.7% and a return on equity of 13.2% for 2025. As of 31 December 2025, First Metro had a total of 66 employees.

The Bank's subsidiary, PSBank is a leading savings bank in the Philippines that aims to be the country's consumer and retail bank of choice. The Bank cooperates with PSBank to help ensure wide market coverage for the Group. PSBank has been recently conferred with several local and international awards, such as 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 awarded as SSS Kabalikatan ng Bayan Best Disbursement Partner—Thrift Bank Category and one of the Philippines' Best Employers 2025 by the Philippine Daily Inquirer and Statista.

The Bank believes that its strong position across diverse product segments allows the Group to cross-promote each segment to its customers to increase revenues and gives customers the flexibility to invest in new products and services. The Bank believes that the Group's leading position across a wide range of product categories allows it to serve as a "one-stop" financial center for its customers.

HISTORY

The Bank was established on 5 September 1962 by a group of Filipino businessmen led by the late Chairman Emeritus, Dr. George S. K. Ty, principally to provide financial services to the Filipino-Chinese community. The Bank has continuously sought to diversify its business and now provides a broad range of banking products and services to all sectors of the Philippine economy through an extensive domestic branch network and internationally through a network of foreign branches and representative offices.

The Bank was one of the first banks in the Philippines to gain a universal banking license, which was granted by the BSP in August 1981. This license allows the Bank to engage in finance-related businesses such as savings and consumer banking, credit card and leasing products and services as well as "non-allied undertakings".

Since the establishment of its first office in Manila, the Bank's operations in the Philippines, and in particular its domestic branch network, have expanded organically and through a series of acquisitions and mergers, including its acquisition of PSBank in 1983. Increased expansion of the Bank's domestic branch network occurred following a change in 1993 to the BSP's policy of restricting the opening of additional bank branches in the Philippines and the liberalization of the Philippine banking industry.

The Bank's international network of foreign branches and representative offices has grown since the opening of its first international branch in Taipei in 1975. Such growth was principally in response to the increased volume of remittances by OFWs. As a result of the growth in the Bank's international network, the Bank has been able to augment its foreign exchange sources during periods of political instability in the Philippines in which access to foreign exchange has been otherwise limited.

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RECENT DEVELOPMENTS

Dividend Policy

On 18 February 2026, the Bank's Board of Directors, declared regular dividends of ₱3.0 per share, payable on a semi-annual basis of ₱1.5 per share. The Board also declared a special cash dividend of ₱2.0 per share. The first tranche of the regular cash dividend of ₱1.5 per share and special cash dividend of ₱2.0 per share, are payable on 26 March 2026 to all shareholders of record as of 9 March 2026. The record and payment dates of the second tranche will be determined during the meeting of the Board's Regular meeting in August 2026.

On 15 January 2026, PSBank declared a 7.5% regular dividend amounting to ₱320.1 million (₱0.75 per share) for the fourth quarter of 2025, which was paid on 16 February 2026 to all stockholders of record as of 30 January 2026.

Issuance and Redemption of Notes

The US\$500.0 million senior unsecured notes issued by the Bank on 15 July 2020 which bear an interest rate of 2.125% per annum matured on 15 January 2026.

On 6 March 2024, the Bank issued a dual tranche, 5-year and 10-year U.S. dollar denominated notes, with an interest rate of 5.375% and 5.500%, respectively. These bonds will mature on 6 March 2029 and 6 March 2034, respectively.

On 4 June 2021, the Bank issued ₱19.0 billion of bonds with an interest rate of 3.60%. These bonds will mature on 4 September 2026.

COMPETITIVE STRENGTHS

The Group believes that it has certain key strengths that provide competitive advantages over many of its competitors, including, among others:

Top three player in the Philippines

As of 31 December 2025, the Group was the second largest private universal Philippine bank by asset size, with total assets of ₱3.9 trillion and capital of ₱432.2 billion and had the highest Tier 1 capital ratio and total capital ratio amongst the three largest private universal Philippine banks. According to the BSP, the Bank also controlled 13.0% of the Philippine banking system's total asset base as of 31 December 2025.

As of 31 December 2025, and based on publicly available data, the Group was also among the top three largest listed Philippine banks in terms of net loans and receivables with an outstanding balance of ₱2.0 trillion, and also among the top three largest listed Philippine banks in terms of total deposits with ₱2.7 trillion of total deposits. The Bank believes its financial strength contributes to its strong market position and gives the Group flexibility to invest in new products, services, branches, information technology and other infrastructure required for the execution of its growth strategy.

Metrobank also derives significant synergies from the diversified Group and affiliated franchises such as First Metro Investment Corporation, one of the largest Philippine investment banks in terms of assets; Philippine Savings Bank, the largest savings bank in terms of assets with ₱237.3 billion as of 31 December 2025; and AXA Philippines, an associate of the Bank, which is among the leading life insurance providers in the country with a significant market share. The Bank's scale of operations, together with the Group's financial resources, allows the Group to cross-sell a wide range of financial products and services to its existing customers, as well as to potentially capture a broader range of new clients.

Extensive and strategically located domestic ATM and branch network backed by a strong sales force

The Bank believes its branch network is strategically located, both in Metro Manila and outside of Metro Manila, to take advantage of the economic growth potential throughout the country.

The Group, through the Bank and PSBank, operates one of the largest branch networks in the Philippines based on public filings, with a total of 967 domestic branches as of 31 December 2025. 532 of such branches are in the countryside, representing 55.0% of the Group's total network, and are strategically located in high growth areas outside the greater Metro Manila area.

Complementing the Group's extensive domestic branch network is the ATM network, which is the third largest in the Philippines, with 2,242 ATMs as of 31 December 2025. The Bank believes that its extensive domestic ATM and branch network provides for substantial coverage across the archipelago and allows it to tap into emerging high growth potential areas to diversify its customer base.

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Middle-market, SMEs and consumer segments as key drivers of growth

The Group maintains a balanced loan portfolio providing corporate and commercial banking products and services to a significant number of large and middle market corporations, as well as to SMEs, through a multi-channel distribution system, including its extensive branch network. Further, the Bank and PSBank have focused on expanding their consumer banking business, principally through a directed marketing strategy, using their extensive domestic branch network and by direct and digital sales channels.

The Group had enjoyed a healthy loan portfolio growth over the past few years, recording a three-year compound annual growth rate of 8.3% for its total loan portfolio from 31 December 2023 to 31 December 2025. The Group's loan portfolio consists mainly of corporate and commercial loans which comprised 78.4%, 78.9% and 77.9% of the Group's total loan portfolio as of 31 December 2023, 2024 and 2025, respectively. As of 31 December 2025, the Group's loan portfolio was mainly concentrated in real estate, wholesale and retail trade, repair of vehicles and motorcycles, manufacturing, financial and insurance activities and electricity, gas, steam, and air conditioning supply, comprising 18.3%, 13.2%, 8.9%, 8.6%, and 7.0%, respectively, of the Group's total loan portfolio..

Given the attractiveness of the SME and middle-market segment, the Group had increased its growth and achieved a compound annual growth rate of 8.1% from 31 December 2023 to 31 December 2025 in its loan portfolio for such segment. The SME and middle-market segment are characterized by its high profitability and relatively low risk, coupled with strong customer loyalty and cross-selling opportunities that would present further upside for the Group.

Based on industry data from the BSP on the Philippine banking system, the Group had a 15% market share of aggregate auto, mortgage and credit card loans in the Philippine banking industry as at 30 September 2025. The Group reported mixed results in the residential mortgage, auto finance and credit card sectors of the Group's consumer loan portfolio, with an annual change of 7.3%, 8.7% and 20.9%, respectively, from 31 December 2024 to 31 December 2025. The Group maintains a balanced and diversified consumer loan portfolio, with home mortgage loans, auto loans, credit cards, and others, comprising 23.8%, 27.9%, 47.4%, and 0.9%, respectively, of the Group's total consumer loan portfolio as of 31 December 2025.

Industry leading margins with operating leverage and a well-balanced loan portfolio

The Group has maintained healthy operating income levels (net interest income, other operating income and share in net income of associates and a joint venture), with ₱134.3 billion, ₱144.1 billion, and ₱158.1 billion for the years ended 31 December 2023, 2024 and 2025, respectively. The Group's operating income is underpinned by the Group's strong net interest income base, which accounted for 78.1%, 79.2%, and 78.8% of its total operating income for the years ended 31 December 2023, 2024 and 2025, respectively.

The Group's balanced mix of interest earning assets and low cost of funding have also enabled the Group to maintain a net interest margin of 3.6% in 2025, a slight drop from 3.9% in 2023 and 3.8% in 2024.

The Group believes that it has a low cost of funding as compared to many of its competitors. Through its extensive and strategically located branch network, the Group is able to attract a large number of low-cost depositors. From 31 December 2024 to 31 December 2025, total deposits of the Group increased from ₱2.6 trillion to ₱2.7 trillion, representing an annual growth rate of 3.4%. In addition, the Group believes that its strong brand name and perceived financial strength allow it to attract higher levels of deposits at lower rates than many of its competitors. As of 31 December 2025, saving and demand deposits, which typically represent the lowest cost of funding for a bank, increased to 59.2% of the Group's total deposit base, compared to 57.8% as of 31 December 2024. The Group's savings and demand deposits expanded at an annual growth rate of 5.9% over the same period. Because the Group's low-cost deposits are primarily comprised of working capital accounts of its commercial clients as well as retail deposits, the Group believes that it will be able to maintain its low funding cost despite a potential increase in interest rates or an increase in competitive pressure.

Similarly, the Group believes based on public filings of Philippine banks, that it maintains relatively comparable asset yields compared to its peers mainly due to the composition of its loan portfolio as well as its asset mix. As of 31 December 2025, the Group's net loans and receivables, amounted to ₱2.0 trillion, representing 50.9% of total assets. Of the Group's total outstanding loans as of 31 December 2025, corporate loans, commercial loans and consumer loans represented 70.8%, 7.1% and 22.1%. Moreover, as of 31 December 2025, 42.4% of the Group's loan portfolio had a maturity of less than one year. As such, the Group believes that it is well-positioned to capitalize on a rise in interest rates by repricing its loan portfolio, which would further contribute to an improvement in the Group's net interest income.

Superior asset quality

The Group believes it has benefitted from its prudent credit and risk management framework and policies as well as conservative lending practices, as it continues to maintain its high asset quality with NPL ratios of 1.7%, 1.4% and 1.7% as of 31 December 2023, 2024 and 2025, respectively. The Group's NPL as of 31 December 2025 was the lowest in its peer

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group, based on publicly filed financial statements of Philippine banks. Given its high NPL coverage ratio of 140.8%, the Group believes that its NPLs have been maintained at manageable levels of ₱26.2 billion, ₱26.0 billion and ₱34.1 billion as of 31 December 2023, 2024 and 2025, respectively.

Strong and experienced Board of Directors and management team

The Group has assembled a strong management team. The Bank's senior executive officers have, on average, over 30 years of experience in the banking sector.

As of 31 December 2025, the Bank's Board of Directors have deep industry and global expertise, as well as professional experience in finance, investments, technology, marketing, anti-money laundering, internal controls, accounting credit and sustainability, ensuring a well-rounded understanding of the financial sector. Meanwhile its other top executives have a proven track record in banking, finance and in other industries given their experience with leading Philippine corporations.

In addition, the Board of Directors has a strong independent element, with five of its 11 members being independent Directors, and only two Directors related to the Ty Family. The Bank believes that the extensive experience and financial acumen of its management provide the Group with a significant competitive advantage.

STRATEGIES

The Bank's medium-term strategy remains anchored on sustaining and expanding its market relevance through continuous improvement in customer experience, operational efficiency and people development. The Bank intends to focus on enhancing customer experience by continuously undertaking investments and enhancements in key customer touch points, which include face-to-face through branches and front liners, as well as e-channels such as ATMs, phone banking, online and mobile banking. The Bank also intends to continue its efforts in defining customer satisfaction standards and developing new capabilities in complaints resolution. To achieve these goals, the Bank intends to continue allocating resources to improve process and IT capabilities, leadership development, and technical and people management skills. Key milestones under each pillar are set forth below:

Growth

As business activities continue to increase, the Bank aspires to be the preferred bank of its chosen customers and further its strong market share by evolving its organization to be customer-obsessed, agile and innovative. Part of the Bank's medium-term plan is to maintain dominance in the corporate and commercial segments and to grow its retail customer base. The Bank endeavors to expand its reach through new distribution channels to effectively target retail customer, through marketing campaigns, and through putting up new branches in main metropolitan and developing areas in the countryside to service new markets and contribute to nation building.

To acquire new customers, the Bank aims to elevate customer experience by offering relevant products and services with distinct features and strong value propositions. New products will be introduced to cater to new and existing customers and to tap select emerging markets. Existing products will be reviewed for relevance and will be enhanced or phased out as needed. The Bank will continue to apply its pricing strategy framework to its loan products to provide affordable yet competitive rates to its customers. The Bank also intends to continuously review and update its credit policy to be able to serve potential new target markets without compromising on credit quality.

To deepen its relationship with existing customers, as part of its portfolio management, the Bank will focus on its data mining program which is anchored on a risk assessment framework to identify a client's network and target segments to be able to provide meaningful offers such as the Bank's "Good Repeat Client Program" initiatives. The Bank will also apply a targeted approach using a pre-defined selection criteria to identify ideal and suitable customers from its existing pool of borrowers and depositors to cross-sell products specially designed to enhance the Bank's customer experience.

Customer experience

The Bank recognizes that exceptional customer experience is pivotal to retaining and expanding its market share. Part of the Bank's drive to enhance customer experience is through prompt resolution of customer requests and complaints and through valuing customer feedback. Aligned with this, Metrobank previously invested in a Customer Feedback Management platform, that is now being utilized to unlock key customer insights and reveal what matters most in delivering service excellence. Customer insights gathered will help the Bank understand and anticipate customer needs, improve the offering of its products and services, and develop initiatives that will drive exceptional customer experience. The Bank remains steadfast in properly serving its clients by enhancing its digital platforms, migrating relevant branch services to digital channels, and digitalizing key customer journeys for an improved customer experience.

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Further, the Bank remains committed to its brand promise of keeping current and future clients in good hands by focusing on what customers value most—a bank they can trust and grow with. To fulfill this, the Bank upholds three core promises that will inspire customers to develop love and pride for the brand:

Education: Educate to make informed decisions in selecting products and services

Experiences: Build strong partnerships and deliver delightful experiences

Community Building: Contribute to the progress of communities and nation building

These attributes collectively reinforce Metrobank's brand of service, *malasakit*—a brand that truly knows and empowers its customers.

Achieving exceptional customer experience is the collective and shared responsibility of every Metrobanker. The Bank's Customer Governance Committee ensures that customer protection standards are always understood and observed across the entire organization. Moreover, as ambassadors of the Metrobank brand, all employees undertake relevant courses on the Bank's Customer Protection Policy in order to uphold customer experience and complaints handling standards, and continuously build a culture of excellence across the Bank.

Operational Efficiency

As the Bank strives to provide better customer experience, continuous assessment of its processes across all stages of the customer journey is a core priority. The Bank will evolve, optimize, and streamline its processes with the use of process re-engineering, robotics and automation to eliminate duplicate functions and reduce turn-around-time, resulting in increased productivity and better cost management. In the pipeline are series of initiatives to offload the administrative or non-customer facing functions from the branches, enabling frontliners to transform these customer touch points into more meaningful conversations, such as product or investment advisory instead of mere transactional servicing. For functions that cannot be offloaded, Metrobank will leverage technology to identify major pain points, analyze root causes, and implement innovative solutions—reinforcing its commitment to delivering a seamless, efficient, and value-driven customer experience.

The Bank's subsidiaries also support the goal of achieving group-wide enhanced operational efficiency. FMIC is continuously rationalizing duplicate functions in its backroom operations and governance units, streamlining distribution across business platforms, and standardizing processes for better resource optimization and cost management. OMLF is streamlining and re-evaluating its branch network, leading to consolidation of certain branches in strategic locations to achieve cost efficiency. Meanwhile, PSBank will integrate the use of artificial intelligence and machine learning tools in the workplace, allowing it to drive smarter decision-making, automate processes, and properly allocate its resources.

Complementing these operational efficiency activities is the Bank's active campaign to shift its retail and corporate clients towards digital banking. This provides clients with the convenience and ease of self-service banking anytime, anywhere, via secured online and mobile platforms.

The Bank is cognizant that the evolving digital and operating environment calls for robust IT infrastructure. Thus, the Bank and its subsidiaries will continuously allocate substantial investments to IT projects and improve their data management and analytics to support the digital transformation initiatives suited to the growing needs and preferences of their clients.

Digital Initiatives

Metrobank recognizes the importance of evolving the way it engages with customers. The Bank's drive towards digitalization aims to bring its customers from a multi-channel state where clients are engaged across various touch-points, towards a mobile-enabled, omni-channel experience, providing customers with convenient self-service options. The Bank continues to enhance and upgrade its digital platforms by migrating relevant branch services to digital channels.

The Bank has already launched various initiatives in the digital space and will continue to do so to significantly simplify the process of providing services to its clients. For consumer loans, Metrobank already digitalized the onboarding and servicing process for credit cards and personal loans, while development of an online onboarding platform for both car and home loans is already underway. Moreover, the recent launch of the Bank's e-Savings Account has been pivotal in advancing digital onboarding, enabling clients to open a deposit account anytime, anywhere without visiting a branch. On mobile banking, the Bank launched several performance improvements to Metrobank Online App (MBOA) to accommodate the growing user base and enable more servicing features. For instance, the updated MBOA now allows clients to perform credit card functions such as activating a credit card, availing an installment loan, sending money, and reporting a lost card. Soon, MBOA will include home & car loan calculators as well as enabling pop-up notifications to clients who have been pre-qualified for the Bank's tactical loan programs. To remain competitive, the MBOA will be further improved to integrate loan details of enrolled clients, allowing customers to instantly access basic loan information—such as outstanding balance, monthly amortization, interest rate, payment history, maturity date, next due date, remaining term, and repricing date—providing customers with greater convenience and transparency. For corporate clients, the Bank will

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continuously enhance its Metrobank Business Online Solutions (MBOS) – a seamless and secure end-to-end cash management facility that assists in the servicing of various business banking transactions. Overall, the Bank endeavors to shift its sales channels to digital applications to reduce operational costs and streamline application processes.

Metrobank believes that to be truly customer-centric, the Bank should aspire to not only be the preferred bank of its customers, but also to be their financial adviser through the digital transformation of customer financial education. Under the “Lifebanking” initiative, Metrobank delivers personalized financial guidance—ranging from basic budgeting and credit management to advanced investment and estate planning—tailored to each customer’s specific life stages and goals. The Bank also provides online investment advisory through Metrobank Wealth Insights, which targets experienced investors, and Earnest, which is designed for beginner investors. Further, Metrobank’s investment banking arm, FMIC, provides clients with economic and market updates through its annual Economic & Capital Markets Briefing webinars, and its monthly online publication, The Market Call. Aside from financial education, the Bank also ensures that its clients are kept abreast of the latest fraud schemes through awareness campaigns, in order to equip and enable clients to combat fraud.

With the growing acceptance of digitalization among the Bank’s clients, Metrobank will continue to embed digital technologies in its processes to ensure efficient, safe, and best-in-class service and engagement for its clients.

Corporate Governance and Compliance and Risk Management

Sound and effective corporate governance enables Metrobank to build a culture of integrity and sustain its business amidst the rapidly evolving business environment. The Group maintains a steadfast lookout on compliance changes in the regulatory landscape and at the same time, strengthens its reign in compliance with regulatory requirements. For instance, the Bank’s Data Privacy Department, through the Privacy Impact Assessment (PIA), conducts end-to-end bank process reviews to identify potential issues on data privacy. The Bank uses the PIA results to implement required changes to align/standardize processes across all areas nationwide.

On sustainability, the Bank has anchored its mandate to help in nation-building. Therefore, the Bank shall also align with the national government in achieving its sustainability and climate objectives. The Bank is guided by local roadmaps such as the Philippine Development Plan, as well as international declarations such as the United Nations Sustainable Development Goals and the United Nations Global Compact Principles.

Metrobank has outlined its general approach to drive Sustainable Finance through the following principles: Do No Harm, Do Good, and Do More.

- **Do No Harm:** Rationalize exposure to identified closely monitored industries/sectors due to potential environmental and social impact by (1) planning for the gradual wind-down of exposure to activities that are environmentally and socially harmful and (2) aligning with government roadmaps towards exposure targets for industries and sectors with significant environmental and social impact.
- **Do Good:** Support transition finance for hard-to-abate sectors by (1) considering provision of transition finance to borrowers to support their sustainability journey and (2) identifying high environmental and social risk relationships that require enhanced due diligence and create a roadmap to reduce high-risk exposure.
- **Do More:** Accelerate the growth of the sustainable finance portfolio by (1) identifying and assessing opportunities for growth of a sustainable and climate-responsive loan book, and (2) where applicable, strengthen sustainable product offerings.

The Bank takes a precautionary approach to environmental and social risks in its lending, investment, and business operations. As a result, it has identified certain types of business relationships that are either directly prohibited by law, or where there is risk of significant harm to the wellbeing of the environment and of people. Contractors and suppliers are also expected to adhere to the same good governance standards and environmental regulations applied to the Bank’s lending and investment activities. The Bank will not knowingly engage businesses or operations that are directly involved in these sectors and activities. As a general principle, Metrobank strives to closely adhere to both internationally-recognized frameworks and standards, as well as national government directives and roadmaps related to energy transition, environmental protection, human rights and labor standards, ethical business practices against bribery, corruption, and extortion, nature and biodiversity preservation, technology and innovation, and corporate good governance.

In terms of risk management, the Group commits to continue enhancing its risk management framework by integrating best industry practices, as well as its understanding of risk based on the behavior of clients and counterparties. Metrobank continues to institutionalize risk awareness by aligning its risk management framework across the Group using a top-down approach. The Bank will continuously conduct risk awareness training and mentoring programs to ensure that every employee is equipped to identify and address potential risks, contributing to the overall resilience of the company. The Bank will also continue to exercise prudence in adopting risk mitigation and controls in areas such as AML/CFT, KYC, lending

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and deposit-taking, automation of client pre-transaction notifications, generation of billing statements, and the use of clients' digital signatures.

The Bank and its subsidiaries recognize that exceptional risk management goes beyond regulatory compliance and must be part of the growth strategy and day-to-day business. With increasingly strict corporate governance requirements and compliance targets under the Basel III framework, the Group aims to promote continued focus on credit excellence and detailed attention to market and operational risks, and to all other material risks to which it is exposed. It shall continue to apply rigorous risk management practices that are supported by high quality information systems and risk management tools.

The Bank's Data Privacy Department, through its ongoing privacy impact assessment, conducts end-to-end bank process reviews to identify potential issues on data privacy, and implement required changes to align/standardize processes across all areas nationwide. The Bank and its subsidiaries are also aligning their products and services, as well as their operations, to the UN Sustainable Development Goals, to comply with various BSP regulations and ensure the viability and sustainability of the Group's business models.

People Development

Employees are central to the Bank's ability to deliver sustainable growth and long-term value. The Bank believes that an engaged and capable workforce is fundamental to customer satisfaction and business performance.

Accordingly, the Bank continues to invest in people development by strengthening its professional development programs and equipping employees with the skills, knowledge, and capabilities needed to perform effectively and adapt to evolving business demands. Ongoing learning initiatives include training and workshops in communication and presentation skills, critical and analytical thinking, product and project management, and leadership.

The Bank also establishes clear, work-related key result areas (KRAs) to guide employees in contributing meaningfully to organizational objectives and to enable effective performance monitoring. Employees who fall below performance expectations are supported through targeted intervention and development programs to help realign performance and career direction. In parallel, strong performance is recognized through a robust and equitable promotion and rewards framework.

Collectively, these initiatives strengthen the Bank's ability to attract, develop, and retain talent, while supporting succession planning and ensuring a resilient leadership and skills pipeline for the future.

Meaningful Banking

The Bank firmly focused on its growth and core business objectives anchored on delivering Meaningful Banking to its clients through relevant financial solutions, best-in-class customer experience, and secured and efficient operations. All these are guided by the Bank's mission, vision and values proving that "You're in Good Hands with Metrobank" benefits its Employees, Customers, and all its Stakeholders.

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SUMMARY CONSOLIDATED FINANCIAL INFORMATION AND OPERATING DATA

The following tables present selected consolidated financial information of the Group and should be read in conjunction with the consolidated financial statements and the related notes included elsewhere in this Offering Circular and the section entitled “Description of the Bank” in this Offering Circular. The selected consolidated financial information presented below were derived from the consolidated financial statements of the bank as at 31 December 2024 and for the three years in the period ended 31 December 2024 and as at 31 December 2025 and for the three years in the period ended 31 December 2025 prepared in accordance with Philippine Financial Reporting Standards Accounting Standards, and audited by SyCip Gorres Velayo & Co. (SGV), independent auditor, in accordance with Philippine Standards on Auditing. The selected financial information set out below does not purport to project the consolidated results of operations or financial position of the Group for any future period or date.

CONSOLIDATED STATEMENTS OF INCOME

	For the years ended 31 December		
	2023	2024	2025
	(audited)		
	(₱ millions, except for earnings per share)		
Interest income on			
Loans and receivables	100,539	116,852	126,583
Investment securities at fair value through other comprehensive income (FVOCI) and amortized cost	43,614	50,014	52,098
Investment securities at fair value through profit or loss (FVTPL)	2,058	5,030	3,997
Interbank loans receivables and securities purchased under resale agreements (SPURA).....	3,429	3,275	2,524
Deposits with banks and others	3,972	2,493	837
	153,612	177,664	186,039
Interest and finance charges			
Deposit liabilities	41,120	48,975	41,466
Bills payable and securities sold under repurchase agreements, bonds payable, subordinated debts and others	7,522	14,574	19,945
	48,642	63,549	61,411
Net interest income	104,970	114,115	124,628
Provision for credit and impairment losses	8,978	6,360	11,919
Net interest income after provision for credit and impairment losses	95,992	107,755	112,709
Other income			
Service charges, fees and commissions	16,390	16,932	17,882
Trading and securities gain (loss) – net	(94)	8,904	4,659
Foreign exchange gain (loss) – net	4,096	(3,328)	3,549
Leasing	2,019	2,033	2,273
Income from trust operations.....	1,220	1,195	1,328
Profit from assets sold.....	2,113	654	106
Dividends.....	257	161	53

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	For the years ended 31 December		
	2023	2024	2025
	(audited)		
	(₱ millions, except for earnings per share)		
Miscellaneous	2,503	2,668	2,686
	28,504	29,219	32,536
Other expenses			
Compensation and fringe benefits	28,263	31,317	32,088
Taxes and licenses	11,460	13,945	13,547
Depreciation and amortization	6,922	6,786	7,236
Occupancy and equipment-related costs	1,966	2,287	1,956
Miscellaneous	20,911	22,826	24,880
	69,522	77,161	79,707
Income before share in net income of associates and a joint venture	54,974	59,813	65,538
Share in net income of associates and a joint venture	875	765	915
Income before income tax	55,849	60,578	66,453
Provision for income tax.....	12,890	11,345	15,829
Net income	42,959	49,233	50,624
Attributable to:			
Equity holders of the Bank	42,238	48,137	49,720
Non-controlling Interest.....	721	1,096	904
	42,959	49,233	50,624
Basic/Diluted Earnings Per Share			
Attributable to Equity Holders			
of the Bank.....	₱ 9.4	₱ 10.7	₱ 11.1

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As of 31 December		
	2023	2024	2025
	(audited)		
	(₱ millions)		
Assets			
Cash and Other Cash Items.....	39,431	33,726	34,577
Due from <i>Bangko Sentral ng Pilipinas</i>	207,807	150,128	106,042
Due from Other Banks	90,535	82,068	64,338
Interbank Loans Receivable and Securities Purchased Under Resale Agreements	72,979	81,287	72,590
Investment Securities at:			
FVTPL	74,856	226,302	113,841
FVOCI	536,623	573,001	954,460
Amortized Cost	470,638	475,024	473,274
Loans and Receivables	1,537,166	1,816,010	1,976,438
Property and Equipment	27,243	28,116	30,876
Investments in Associates and a Joint Venture	6,241	6,359	7,648
Goodwill	4,720	4,543	4,543
Investment Properties	8,107	7,805	8,115
Deferred Tax Assets	14,171	18,037	15,307
Other Assets.....	14,385	17,949	18,268
Total Assets	3,104,902	3,520,355	3,880,317
Liabilities and Equity			
Liabilities			
Deposit Liabilities			
Demand	586,345	608,370	642,415
Savings	853,028	879,568	932,693
Time.....	925,885	1,085,940	1,085,848
Long Term Negotiable Certificates	17,514	-	-
	2,382,772	2,573,878	2,660,956
Bills Payable and Securities Sold Under Repurchase Agreements	156,896	300,652	530,734
Derivative Liabilities	16,865	13,370	13,502
Manager’s Checks & Demand Drafts Outstanding.....	7,048	6,901	7,293
Income Taxes Payable	3,601	4,219	4,792
Accrued Interest and Other Expenses	19,785	23,544	18,780
Bonds Payable	70,089	107,236	114,013
Other Liabilities	70,848	94,150	98,080

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	As of 31 December		
	2023	2024	2025
	(audited)		
	(₱ millions)		
Non-equity non-controlling interest	10,260	-	-
	2,738,164	3,123,950	3,448,150
Equity			
Attributable to Equity Holders of the Bank	356,665	385,502	421,705
Non-controlling Interest.....	10,073	10,903	10,462
Total Liabilities and Equity	3,104,902	3,520,355	3,880,317

SELECTED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years ended 31 December		
	2023	2024	2025
	(audited)		
	(₱ millions)		
Net cash provided by (used in) operating activities.....	84,682	(181,338)	92,333
Net cash used in investing activities	(149,085)	(37,392)	(375,203)
Net cash provided by financing activities.....	31,299	152,744	208,816
Cash and cash equivalents at beginning of the year	434,610	401,506	335,520
Cash and cash equivalents at end of the year	401,506	335,520	261,466

SELECTED FINANCIAL RATIOS

	As of and for the years ended 31 December		
	2023	2024	2025
Return on average assets* ⁽¹⁾	1.4%	1.5%	1.3%
Return on average equity* ⁽²⁾	12.5%	13.0%	12.3%
Net interest margin ⁽³⁾	3.9%	3.8%	3.6%
Other Operating Expenses	69,522	77,161	79,707
Total Operating Income	133,474	143,334	157,164
Net Interest Income.....	104,970	114,115	124,628
Other Operating Income	28,504	29,219	32,536
Cost-income ratio ⁽⁴⁾	52.1%	53.8%	50.7%
Total Gross Loans.....	1,567,046	1,832,841	1,993,274
Unearned discounts (UID) and capitalized interest (CI).....	15,637	17,738	23,198
Total loans net of UID and CI	1,551,409	1,815,103	1,970,076
Interbank Loans Receivable and Securities Purchased Under Resale Agreements (SPURA)	73,015	81,348	72,666

OFFERING CIRCULAR SUMMARY

Total deposit liabilities.....	2,382,772	2,573,878	2,660,956
Loans to deposit ratio ⁽⁵⁾	65.8%	71.2%	74.9%
Common Equity Tier 1 capital ratio ⁽⁶⁾	17.4%	15.9%	16.1%
Capital conservation buffer ⁽⁶⁾	11.4%	9.9%	10.1%
Tier 1 capital ratio ⁽⁶⁾	17.4%	15.9%	16.1%
Total capital ratio ⁽⁶⁾	18.3%	16.7%	16.8%
Total non-performing loans (NPLs) to total loans net of UID – excluding interbank loans (NPL ratio).....	1.7%	1.4%	1.7%
Total NPLs to total loans net of UID – including interbank loans.....	1.6%	1.4%	1.7%
Allowance for credit losses - loans to total gross loans net of UID	3.0%	2.3%	2.4%
Allowances for credit losses – loans	47,211	42,475	48,045
Total NPLs.....	26,180	25,985	34,134
Allowance for credit losses - loans to total NPLs	180.3%	163.5%	140.8%
Earnings per share.....	₱9.4	₱10.7	₱11.1

Notes:

* Average is current year balance plus previous year balance divided by two (note: current and previous years' balances pertain to December 31 year-end balances)

(1) Net income divided by average total assets.

(2) Net income divided by average total equity.

(3) Net interest income divided by average interest-earning assets (including due from the BSP, due from other banks, interbank loans receivable and securities purchased under repurchased agreements (SPURA), investment securities, current gross receivables from customers, sales contract receivable, unquoted debt instruments and bills purchased).

(4) Other operating expenses (excluding provisions for credit and impairment losses and for income tax) divided by total operating income (computed as sum of net interest income and other operating income).

(5) Total gross loans divided by total deposits. Total gross loans comprise of receivables from customers before deducting unearned discount and capitalized interest and allowance for credit losses.

(6) Capital adequacy ratios as of 31 December 2023, 2024 and 2025 were computed based on Basel III standards.

FORM OF PRICING SUPPLEMENT



PRICING SUPPLEMENT DATED [●]

**OFFER OF TRANCHE [●]
[BONDS / COMMERCIAL PAPERS]
BY METROPOLITAN BANK & TRUST COMPANY**

Under its ₱[●] Billion Programme

This document constitutes the Pricing Supplement relating to Tranche [●] [Bonds/Commercial Papers] 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 [●] (the “Offering Circular”). This Pricing Supplement contains the final terms of this Offer and the Tranche [●] [Bonds/Commercial Papers] and must be read in conjunction with the Offering Circular. Full information on the Bank and the Offer is contained in the Offering Circular and in this Pricing Supplement. All information contained in the Offering Circular are deemed incorporated by reference in this Pricing Supplement.

Issuer	Metropolitan Bank & Trust Company (the “Bank”)
Issue	[Bonds /Commercial Papers] constituting the direct, unconditional, unsecured and unsubordinated obligations of the Bank
Specified Currency or Currencies	Philippine Peso
The Offer Size	[₱●]
Manner of Distribution	[Public Offer / Private Issuance]
Issue Price	At par (or 100% of face value)
Form and Denomination of the Bonds/Commercial Papers	The Tranche [●] [Bonds /Commercial Papers] shall be issued in scripless form in minimum denominations of [₱●] each, and in multiples of [₱●] thereafter, and traded in denominations of [₱●] in the secondary market
Offer Period	The offer of the [Bonds /Commercial Papers] shall commence at 9:00 am on [●] and end at 12:00 pm on [●]
Issue Date	[●]
Use of Proceeds	[●]
Interest	
(a) For Fixed Rate: Interest Commencement Date	[●]

Interest Payment Date (s) [●],[●],[●] and [●] of each year

Interest Rate [●]% per annum

(b) For Floating Rate

Specified Period(s) / Interest Payment Dates [●]

Manner in which the Interest Rate and Interest Amount is to be determined [●]

Party Responsible for calculating the Interest Rate and Interest Amount [●]

Reference Rate [●]

Margin [●]

Interest Determination Date [●]

Day Count Fraction 30/360-day count basis

Maturity Date [●] years from Issue Date or [●]

Rating Unrated

Payment Account Name [●]

Listing The Tranche [●] [Bonds /Commercial Papers] are intended to be listed at the Philippine Dealing & Exchange Corp.

Governing Law Philippine Law

Taxation [●]

Prohibited Holders [●]

PROVISIONS RELATING TO REDEMPTION

Issuer Redemption Option [●]

Final Redemption Amount [●]

Early Redemption Date [●]

Early Redemption Amount [●]

PARTIES

Trustee Development Bank of the Philippines – Trust Banking Group

Registrar & Paying Agent Philippine Depository & Trust Corp.

Joint Lead Managers and Joint Bookrunners [●]

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.

METROPOLITAN BANK & TRUST COMPANY

Issuer and Selling Agent

By:

Name:

Position:

USE OF PROCEEDS

The net proceeds from the issuance under the Bond Programme will be used by the Issuer to support the Bank's lending activities and diversify funding sources. A more definite use of proceeds from a Series or Tranche of Bonds will be included in the applicable Pricing Supplement for such Series or Tranche of Bonds.

INVESTMENT CONSIDERATIONS

Before investing in the Bonds or Commercial Papers, prospective investors should carefully consider all the information contained in this Offering Circular, including the investment considerations described below, before making an investment decision. The business, financial condition, and results of operations of the Bank could be materially and adversely affected by any of these investment considerations. The market price of the Bonds and Commercial Papers could decline due to any one of these risks, resulting in loss of all or part of the initial investment in the Bonds or Commercial Papers. The following discussion is not intended to be a comprehensive discussion of the risks and other factors and is not in any way meant to be exhaustive. Investors are encouraged to make their own independent, legal, financial, and business examination of the Bank and the market. Neither the Bank nor the Joint Lead Managers and Joint Bookrunners make any warranty or representation on the marketability, price, or market increments or profits that may arise out of any investment in the Bonds.

This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Offering Circular.

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 and the Peso declined from approximately ₱29.00 to U.S.\$1.00 in July 1997 to ₱56.18 to U.S.\$1.00 by December 2004.

While the value of the Peso has recovered since 2010, its valuation may be adversely affected by certain events and circumstances such as the strengthening of the U.S. economy, the rise of the interest rates in the U.S. and other events affecting the global markets or the Philippines, causing investors to move their investment portfolios from perceived riskier emerging markets such as the Philippines. Consequently, an outflow of funds and capital from the Philippines may occur and may result in increasing volatility in the value of the Peso against the U.S. Dollar and other currencies. For example, as at 27 December 2024, as per the BSP Rate, the Peso had depreciated to ₱58.01 per U.S.\$1.00 from ₱52.65 per U.S.\$1.00 at the end of 2018. As at 29 December 2025, as per the BSP Rate, the Peso was at ₱58.81 per U.S.\$1.00, and as at 3 March 2026, the Peso was at ₱58.09 against the U.S. Dollar.

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, including tax laws and regulations that impact or may impact inflation and consumer demand;
- Government budget deficits;

INVESTMENT CONSIDERATIONS

- adverse trends in the current accounts and balance of payments of the Philippine economy;
- re-emergence of public health epidemics or outbreaks of diseases such as COVID-19, 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 (such as Zika or the Nipah virus) in the Philippines or in other countries in Southeast Asia;
- natural disasters, including but not limited to tsunamis, typhoons, earthquakes, fires, floods, volcanic eruptions, 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 destabilise 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. In the last decade, there has been 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. 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. There can be no assurance that acts of political violence will not occur in the future and any such events could negatively impact the Philippine economy.

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

The national and local elections took place on 9 May 2022. On 25 May 2022, Ferdinand “Bongbong” Marcos, Jr. was officially declared by the Congress as the 17th President of the Republic of the Philippines and Sara Duterte was proclaimed vice-president. There can be no assurance that the prevailing administration will continue to implement social and economic policies favored by the outgoing administration. A major deviation from the policies of the outgoing 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.

While the 2022 general elections initially suggested a period of transition, subsequent developments have highlighted persistent friction within the executive branch that may adversely affect the business and investment climate. A notable source of instability is the public divergence between President Ferdinand Marcos, Jr. and Vice President Sara Duterte, which led to the latter’s resignation as Secretary of Education in June 2024. This political rift culminated in an impeachment attempt by the House of Representatives; however, on 25 July 2025, the Supreme Court promulgated a decision declaring the Articles of Impeachment unconstitutional. The Court ruled that the proceedings violated the constitutional “one-year rule” under Article XI, Section 3(5) and the Vice President’s right to due process, thereby preventing the Senate from acquiring jurisdiction. Under this ruling, no further impeachment complaints may be legally initiated until 6 February 2026, creating a foreseeable window of renewed political tension.

Furthermore, the country faces significant legal and social pressures following the arrest of former President Rodrigo Duterte on 11 March 2025. Effected by the Philippine National Police pursuant to a warrant from the International Criminal Court (ICC), the arrest related to alleged crimes against humanity during the prior administration’s “war on drugs.” The subsequent transfer of the former President to the ICC in The Hague for trial remains a polarizing event that could trigger further social polarization and domestic unrest. These tensions are compounded by recent allegations of large-scale fiscal mismanagement. During the July 2025 State of the Nation Address, it was revealed that approximately ₱118.00 billion in government funds were allegedly lost to anomalies in flood control projects between 2023 and 2025. The investigation into these “ghost” projects and substandard infrastructure has implicated various contractors and officials, prompting the issuance of an executive order in September 2025 to establish an independent commission to probe these systemic irregularities.

No assurance can be given that the future political or social environment in the Philippines will be stable or that current and future governments will adopt economic policies conducive for sustaining economic growth. Political or social instability in the

INVESTMENT CONSIDERATIONS

Philippines could negatively affect the general economic conditions and business environment in the Philippines, which could have a material adverse effect on the business, operations, and financial position of the Bank.

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

The Philippines has been subject to a number of terrorist attacks, 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.

Moreover, there were isolated bombings in the Philippines in recent years, mainly in regions in the southern part of the Philippines, such as the province of Maguindanao. Although no one has claimed responsibility for these attacks, it is believed that the attacks are the work of various separatist groups, possibly including the Abu Sayyaf organisation. On 2 September 2016, a bombing that killed 15 and injured 71 took place in Davao City, Mindanao. It is believed that the Abu Sayyaf organisation and/or their allies are responsible for the bombing.

In addition, bombings have taken place in the Philippines, mainly in cities in the southern part of the country. 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. In October 2017, the city was declared liberated from the terrorists. Despite this, the Philippine Congress extended the imposition of martial law in Mindanao until the end of 2019, citing persistent threats of terrorism and rebellion and to ensure the total eradication of ISIS-inspired terrorists in the country. Martial law in Mindanao was lifted on 1 January 2020, however certain areas in Mindanao remain under a state of emergency and law enforcement groups are in heightened security as a measure against potential terror threats. On 24 August 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. An increase in the frequency, severity or geographic reach of these terrorist acts could destabilise the Philippines, and adversely affect the country's economy.

Similar attacks or conflicts between the Government and armed or terrorist groups could lead to further injuries or deaths of civilians and police or military, which could destabilise parts of the country and adversely affect the country's economy. While the passing of the Anti-Terrorism Act of 2020 gave the Government wider power to prevent terrorist acts, there can be no assurance that the Philippines will not be subject to further acts of terrorism or violent crimes in the future, any of which could cause interruption to parts of the Bank's businesses and materially and adversely affect its financial conditions, results of operations and prospects.

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

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

At the Monetary Board meeting on 11 May 2018, the BSP increased its key policy rates for the first time since September 2014 by 25 basis points to 3.25% for overnight borrowing and 3.75% for overnight lending rates. The BSP further increased key policy rates by 25 basis points at the Monetary Board meeting on 20 June 2018 to 3.50% for overnight borrowing and 4.00% for overnight lending rates. On 9 August 2018 the BSP delivered its largest rate hike in a decade, raising rates by 50 basis points to 4.00% for overnight borrowing and 4.50% for overnight lending rates. The BSP further raised overnight borrowing and lending rates by 25 basis points to 4.25% and 4.75%, respectively, on 15 November 2018. Effective 10 May 2019, the Monetary Board decided to reduce the interest rate on the BSP's overnight borrowing to 4.5%; on 8 August 2019, to 4.25%; on 26 September 2019, to 4.00%; and on 6 February 2020, to 3.75%. In 2020, at the onset of the pandemic, the BSP pivoted towards an accommodative policy stance. On 20 March 2020, the Monetary Board further reduced the BSP's overnight reverse repurchase facility by 50 basis points to 3.25%. The interest rates on the overnight lending and deposit facilities were reduced as well to 3.25% and 2.25%, respectively. For the rest of 2020, the BSP adopted a number of measures to support the economy during the COVID-19 pandemic. It decreased its benchmark interest rate to 2.00% as of 31 December 2020 and interest rates on overnight deposit and lending facilities to 1.50% and 2.50%, respectively. The Monetary Board maintained the foregoing interest rates through the end of 2021. On 24 March 2022, the Monetary Board decided to maintain the interest rate on the BSP's overnight reverse repurchase facility at 2.00%. The interest rates on the overnight deposit and lending facilities were likewise kept at 1.50% and 2.50%, respectively. On 18 August 2022, the Monetary Board increased the interest rate on RRP to 3.75%, overnight deposit to 3.25%, and lending rates to 4.25%, effective

19 August 2022. On 22 September 2022, the Monetary Board decided to raise the interest rate on the BSP's overnight reverse repurchase facility by 50 basis points to 4.25%, effective on 23 September 2022. Accordingly, the interest rates on the overnight deposit and lending facilities were raised to 3.75% and 4.75%, respectively. The Monetary Board on 17 November 2022 again raised interest rates on the BSP's overnight reverse repurchase facility by 75 basis points to 5.0%, effective 18 November 2022. Accordingly, the interest rates on the overnight deposit and lending facilities will be set to 4.5% and 5.5%, respectively. On December 2022, the Monetary Board set another increase on interest rates to combat inflation. On 16 February 2023, the interest rate of the BSP's overnight reverse repurchase facility was raised by 50 basis points to 6.0%, effective 17 February 2023. Thus, interest rates on the overnight deposit and lending facilities were set to 5.5% and 6.5%, respectively. On 23 March 2023, the Monetary Board decide which date the Monetary Board took off-cycle action to raise the BSP's overnight reverse repurchase facility by another 25 basis points to 6.50%, effective 27 October 2023. However, as inflation began to stabilize within the target range throughout 2024 and 2025, the BSP shifted toward a less restrictive policy stance to support domestic growth. At its most recent policy meeting on 19 February 2026, the Monetary Board reduced the target RRP rate by another 25 basis points to 4.25%. Consequently, the interest rates for the overnight deposit and lending facilities currently stand at 3.75% and 4.75%, respectively.

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

The Group 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 Group 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 Group'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 Group's portfolio and the Group's ability to earn excess trading gains as revenue. A sustained increase in interest rates will also raise the Group's funding costs without a proportionate increase in loan demand (if at all). Rising interest rates will therefore require the Group 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 Group's credit portfolio in addition to lower levels of liquidity in the system which may lead to an increase in the cost of funding.

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 resident and domiciled in the Philippines. Historically, the Philippines' sovereign debt has been rated non-investment grade by international credit rating agencies. In 2013, the Philippines earned investment grade status from all three major credit ratings agencies – Fitch (BBB-), Standard and Poor's (BBB-) and Moody's (Baa3). In 2014, S&P and Moody's upgraded their ratings to "BBB" and "Baa2" in May and December, respectively, with both agencies affirming these ratings in 2017. Fitch also upgraded the Philippines' long-term foreign currency issuer default rating from "BBB-" to "BBB" in December 2017. In 2019, the Philippines' long-term foreign currency-denominated debt was upgraded by S&P to BBB+ with stable outlook, while Fitch and 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.

Fitch affirmed its rating in April 2025 with a stable outlook. Moody's reaffirmed their rating in August 2025. S&P also reaffirmed its rating with a positive outlook in November 2025. All ratings are above investment grade and the highest that the Philippines has received so far from any credit ratings agency.

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

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 several major natural catastrophes over the years, including typhoons, floods, droughts, volcanic eruptions and earthquakes. In mid-January 2020, Taal Volcano, which is located approximately 50 kilometers south of Manila, erupted, spewing ashes across several towns and cities in Cavite, Laguna, Batangas, Rizal, 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 ₱316.00 million. 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 late October to mid November 2024, the Philippines was hit by 6 consecutive typhoons, three of which were super typhoons. Almost 1500 roads and over 260 bridges became impassable. Over 316,35 houses were damaged and damage to infrastructure reached an estimated P13.7 billion, with Regions 1, 2, and the Cordillera Administrative Region (CAR) bearing significant losses. The NDRRMC estimated the economic loss to be around ₱22 billion. In 2025, Cebu, a highly developed province in Central Visayas, was struck by a magnitude 6.9 earthquake in September. The devastation left the province with an estimated ₱170 million damages on livestock and facilities according to Provincial Veterinary Office. Reported deaths also reached over 70 and injured estimated around 1300. Roughly a month after the earthquake, typhoon Kalmaegi (known in the Philippines as “Typhoon Tino”) unleashed torrential rains causing widespread flooding and landslide across several provinces including Cebu which experienced record-breaking rainfall of up to 428 mm within 24 hours—more than a month’s worth of rain according to Philippine Atmospheric, Geophysical and Astronomical Services Administration (PAGASA). The Typhoon Kalmaegi wreaked 232 deaths, 96 in Cebu province alone, displaced almost over 61, 000 families, damaged 49,670 houses in Central Visayas and with estimated damages over ₱150 million and ₱170 million in agriculture and infrastructure. In November 2025, Typhoon Uwan/Fung-Wong ravaged the northern Philippines, damaging or destroying over 316,000 homes and causing damage estimated to be up to ₱4.92 billion.

There can be no assurance that the occurrence of such natural catastrophes will not materially disrupt the Group’s operations. These factors, which are not within the Group’s control, could potentially have significant effects on the Group’s branches and operations. While the Group 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 Group also does not carry any business interruption insurance. Should an uninsured loss or a loss in excess of insured limits occur, the Group 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 Group’s business, financial condition and results of operations.

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

Although a principal objective of Philippine securities laws and the Philippine Stock Exchange’s (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 Group, than is regularly made available by public companies in the U.S. and other countries. As a result, Holders 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 Group complies with the requirements of the Philippine Securities and Exchange Commission (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. The Bank currently has five 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 Holders may be less well-defined and enforced in the Philippines than elsewhere, putting Holders 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 Holders generally, which may result in them taking actions that are contrary to the interests of Holders.

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. Despite efforts to reach a compromise, a dispute arose between the Philippines and China over a group of

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

In September 2013, the Permanent Court of Arbitration in The Hague, Netherlands issued rules of procedure and initial timetable for the arbitration in which it will act as a registry of the proceedings. Should these territorial disputes continue or escalate further, the Philippines and its economy may be disrupted and the operations of the Bank could be adversely affected as a result. In particular, further disputes between the Philippines and China may lead both countries to impose trade restrictions on the other's imports. On 12 July 2016, the five-member Arbitral Tribunal at the Permanent Court of Arbitration in The Hague, Netherlands, unanimously ruled in favor of the Philippines on the maritime dispute over the West Philippine Sea. The Tribunal's landmark decision contained several rulings, foremost of which invalidated China's "nine-dash line", or China's alleged historical boundary covering about 85% of the South China Sea, including 80% of the Philippines Exclusive Economic Zone ("EEZ") in the West Philippine Sea. China rejected the ruling, saying that it did not participate in the proceedings for the reason that the court had no jurisdiction over the case. Any such impact from these disputes could adversely affect the Philippine economy, and materially and adversely affect the Bank's business, financial position and financial performance. The Philippine government, under the Duterte administration, has taken action to de-escalate tensions concerning the territorial dispute with China.

The Philippines and the People's Republic of China convened the 9th Meeting of the Bilateral Consultation Mechanism on the South China Sea in July 2024 to discuss de-escalation strategies—specifically regarding the Ayungin Shoal—and reached a provisional agreement for resupply missions, stability remains tenuous. Despite these diplomatic efforts, subsequent maritime and aerial encounters have highlighted the persistent risk of escalation. In August 2024, the Philippine military documented hazardous maneuvers by Chinese aircraft over the Scarborough Shoal, involving the deployment of flares in the flight path of a Philippine patrol. This was followed by a series of maritime confrontations in which both nations exchanged accusations of intentional vessel ramming and dangerous tactical maneuvers within the West Philippine Sea. In December, 2024, there were increasing incidents of the usage of water cannons against Philippine-flagged civilian vessels. In February 2025, there was a report from the authorities in the Philippines regarding a Chinese military helicopter flying dangerously close to a Philippine military aircraft and also redirected a Philippine military aircraft away from the Spratly Islands using dangerous maneuvers. Despite numerous diplomatic protests lodged by the current administration, tensions continue to rise, with the most high-profile incident being the collision of a Chinese Coast Guard with a Chinese naval vessel during the course of a pursuit of a Philippine Coast Guard vessel.

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 the Group's 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 Group's financial condition and results of operations, and its ability to implement its business strategy and expansion plans.

Investors may face difficulties enforcing judgments against the Bank.

The Bank is organized under the laws of the Republic of the Philippines. A substantial portion of the Bank's assets are located in the Philippines and outside of the United States. It may be difficult for investors to effect service of process outside of the Philippines upon the Bank. Moreover, it may be difficult for investors to enforce judgments against the Bank outside of the Philippines in any actions pertaining to the Bonds and Commercial Papers. In addition, substantially all of the directors and officers of the Bank are residents of the Philippines, and all or a substantial portion of the assets of such persons are or may be located in the Philippines. As a result, it may be difficult for investors to effect service of process upon such persons or enforce against such persons' judgments obtained in courts or arbitral tribunals outside of the Philippines predicated upon the laws of jurisdictions other than in the Philippines.

The Philippines is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments but is a signatory to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards. Judgments obtained against the Bank in any foreign court may be recognized and enforced by the courts of the Philippines in an independent action brought in accordance with the relevant procedures set forth in the Rules of Court of the Philippines to enforce such judgment. However, such foreign judgment or final order may be rejected in the following instances: (i) such judgment was obtained by collusion or fraud, (ii) the foreign court rendering such judgment did not have jurisdiction, (iii) such order or judgment

is contrary to good customs, public order, or public policy of the Philippines, (iv) the Bank did not have notice of the proceedings before the foreign court, or (v) such judgment was based upon a clear mistake of law or fact.

CONSIDERATIONS RELATING TO THE PHILIPPINE BANKING INDUSTRY

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

Global markets have experienced, and may continue to experience, significant dislocation and turbulence due to economic and political instability in several areas of the world. These ongoing uncertainties in 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.

The unpredictability of U.S. trade policy has further exacerbated market instability. The administration has frequently shifted strategic objectives, ranging from trade deficit reduction to the reshoring of manufacturing, while intermittently threatening additional tariffs on critical sectors such as semiconductors and pharmaceuticals. This lack of policy transparency, characterized by the sudden deferral or acceleration of effective dates, has jolted international debt and equity markets. Economists and financial institutions have warned that these sustained trade barriers increase the probability of a near-term global recession and a significant slowdown in domestic growth. In early 2025, the global economic landscape was defined by heightened protectionism and trade friction, primarily driven by the imposition of extensive retaliatory tariffs by the United States. These measures have targeted exports from nearly all major jurisdictions, precipitating reciprocal tariff actions from key economies including the European Union, Canada, and China. This escalating trade conflict has induced severe shocks across global equity and commodity markets, with volatility reaching levels comparable to the 2008 global financial crisis and the 2020 COVID-19 pandemic. As of April 2025, bilateral trade barriers have intensified significantly, with U.S. tariffs on Chinese goods exceeding 100 percent and Chinese retaliatory duties on select U.S. exports surpassing 80 percent. The Philippines is one of the jurisdictions subject to US tariffs. On 22 July 2025, a bilateral trade deal was reached, which imposed a tariff of 19% on Philippine goods entering the U.S. market. For the Bank, these developments pose material risks in the form of increased secondary market volatility, potential impairment of trade finance volumes, and a general deterioration in the macroeconomic climate that could adversely affect the 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 continuing to show firmer signs of economic growth and possible monetary tightening in the horizon, the "trade war" between the US and China, protracted economic slowdown in China, the Russo-Ukrainian War, the conflict between Israel and Palestine in Gaza, and the escalating tensions between the US and Israel and Iran.

There can be no assurance that the uncertainties affecting global markets will not add to further negative impact on credit markets in Asia, including in the Philippines. The success of the Group'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 Group'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.

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

PFRS 17, which will take effect on 1 January 2027, provides updated information about the obligation, risks and performance of insurance contracts, increases transparency in financial information reported by insurance companies, and introduces consistent accounting for all insurance contracts based on a current measurement model. The SEC also issued Memorandum Circular No. 16, Series of 2025, which signifies its adoption—as approved in its *En Banc* meeting held on 04 December 2025—of PFRS S1, General Requirements for Disclosure of Sustainability-related Financial Information, and PFRS S2, Climate-Related Disclosures. In line with this adoption, the SEC also approved the issuance of the Sustainability Reporting Guidelines for PLCs and LNLs (the "SR Guidelines"), which includes the PFRS Accounting Standards Adoption Roadmap ("Roadmap"). The SR Guidelines and Roadmap serve to encourage sustainable business practices and align company disclosures with international standards to attract environmental, social, and governance (ESG)-focused investors in the Philippine capital market. On 1 January 2027, PFRS 18, Presentation and Disclosure in Financial Statements, will take effect. This new standard impacts the classification of profit or loss items (i.e., operating, investing, and financing categories) and the presentation of subtotals in the statement of profit or loss (i.e., operating profit and profit before financing and income taxes). The new standard also changes the aggregation and disaggregation of certain information presented in the primary financial statements and in the notes and introduces required disclosures about management-defined performance measures. Apart from the changes in the presentation of subtotals in the statement of profit or loss, and the aggregation and disaggregation of certain information in the primary financial statements, the Bank does not expect that the future adoption of the new standard will have a significant impact on its financial statements.

A discussion on the newly adopted PFRS Accounting Standards and amendments to existing standards to be adopted or which will be effective after 2025 can be found in Note 2 of the Group's audited financial statements as at 31 December 2024 and 2025.

The Group believes that other amendments and improvement to PFRS Accounting Standards issued effective after 31 December 2025 will not have material impact on the Group's future financial statements.

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

The Group 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 Group.

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. 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 3 February 2026, according to data from the BSP, there were a total of 44 domestic and foreign universal and commercial banks operating in the Philippines including the two government banks.

In the future, the Group 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 Group. 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 15 July 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, 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; 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 Group will be able to compete effectively in the face of such increased competition. Increased competition may make it difficult for the Group to continue to increase the size of its loan portfolio and deposit base, as well as cause increased pricing competition, which could have a material adverse effect on its growth plans, margins, results of operations and financial condition.

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

According to data published by the BSP as of 14 January 2026, the past due ratio in the Philippine universal and commercial banking system as of 31 December 2025 was at 3.45%, within the 3-5% range reported from 2009-2011. Further, the NPL coverage ratio in the Philippine universal and commercial banking system reached 96.93% as of 30 December 2025, which is within the 96-126% range reported from 2009 to 2011, according to the BSP. The NPL ratio in the Philippine universal and commercial banking industry was 2.88% as of 31 December 2025, an improvement from the annual average of 3.19% during the past three years, as the adverse effects of the COVID-19 pandemic on demand for credit and borrowers' repayment capacity has started to ease.

The Philippine banking industry may face significant financial and operating challenges in the event of any regional or global economic downturn driven by rising interest rates, inflationary pressures, escalating geopolitical tensions, and possibilities of global recessions and lingering effects of the COVID-19 pandemic. 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 Group in particular, to experience similar problems to those faced in the past, including substantial increases in NPLs, problems meeting capital adequacy requirements, liquidity problems and other challenges.

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

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 23 March 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 15 February 2013, then President Aquino signed into law Republic Act No. 10365, which expanded the AMLA covered institutions and crimes. This law took effect on 7 March 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 15 March 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 14 July 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 25 June 2021, the FATF released its grey list of countries that will be subjected to increased monitoring to prove their progress as they address strategic deficiencies in their regimes against money laundering, terrorist financing, and proliferation financing. With its inclusion in the grey list, the Philippines needs to implement the 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 31 May 2019; 50 basis points on 28 June 2019, and 50 basis points to 16% on 26 July 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 28 March 2025.

To better monitor the banking industry’s exposure to the property sector, the BSP issued Circular no. 600 in 2008, and 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 1 January 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 31 July 2013, until these were eventually phased out by on 30 November 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 5 July 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 23 June 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 23 June 2023 and 29 June 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 30 June 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). On 20 September 2024, BSP Circular No. 1201 further reduced the required reserve ratio to 7%, which was further lowered to 5% through BSP Circular No. 1211 effective starting 28 March 2025.

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

On 15 January 2009, the BSP issued BSP Circular No. 639 covering the Internal Capital Adequacy Assessment Process (ICAAP) which supplements the BSP's risk-based capital adequacy framework under BSP Circular No. 538. The BSP requires banks to have in place an ICAAP that (i) takes into account not just the credit, market and operational risks but also all other material risks to which a bank is exposed (such as interest rate risk in the banking book, liquidity risk, compliance risk, strategic/business risk and reputation risk); (ii) covers more precise assessments and quantification of certain risks (i.e., credit concentration risk); and (iii) evaluates the quality of capital. In 2011, the BSP issued BSP Circular 709, which aligns with the Basel Committee on Banking Supervision (BCBS) on the eligibility criteria on Additional Group Concern Capital and Tier 2 Capital to determine eligibility of capital instruments to be issued by Philippine banks/quasi-banks as Hybrid Tier 1 Capital and Lower Tier 2 Capital. Further, in January 2013, the BSP issued Circular No. 781 as the Basel III Implementing Guidelines on Minimum Capital and Disclosure Requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, which took effect in January 2014. The Circular sets out a minimum Common Equity Tier I (CET1) ratio of 6.00% and Tier 1 capital ratio of 7.50%; capital conservation buffer (CCB) of 2.50% comprised of CET1 capital and Total Capital Adequacy Ratio (CAR) of 10.00%. These ratios shall be maintained at all times.

On 29 October 2014, the BSP issued Circular No. 856 covering the implementing guidelines on the framework for dealing with domestic systemically important banks (DSIBs) in accordance with the Basel III Standards. On 27 September 2019, this was amended by Circular No. 1051. 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 1 January 2017, with full compliance mandated effective as of 1 January 2019. As of the date of this Offering Circular, identified DSIBs will need to put up an additional 1.5% to 2.5% of CET1 capital depending on their classification.

On 10 March 2016, the BSP issued Circular No. 905 which provides the implementing guidelines on Liquidity Coverage Ratio (LCR) and disclosure standards that are consistent with the Basel III framework. The LCR is the ratio of high-quality liquid assets to total net cash outflows which should not be lower than 100.0%. Compliance with the LCR minimum requirements commenced on 1 January 2018 with the prescribed minimum ratio of 90.0% for 2018 and 100.0% effective 1 January 2019.

On 9 June 2015, the BSP issued Circular No. 881 covering the implementing guidelines on the Leverage Ratio framework designed to act as a supplementary measure to the risk-based capital requirements and shall not be less than 5.00%. The monitoring period has been set every quarter starting 31 December 2014 and extended until 30 June 2018 per BSP Circular No. 990 issued

on 22 January 2018. On 16 July 2015, BSP issued Memorandum No. M-2015-026 covering the Guidelines on the Electronic Submission of the Basel III Leverage Ratio (BLR) Report. Effective 1 July 2018 the monitoring of the leverage ratio was implemented as a Pillar I minimum requirement.

Meanwhile, the BSP issued BSP Circular No. 1007 on 6 June 2018 covering the implementing guidelines on the Basel III Framework on Liquidity Standards – Net Stable Funding Ratio (**NSFR**), which requires that banks' assets and activities are structurally funded with long-term and more stable funding sources. All universal and commercial banks and their subsidiary banks and quasi-banks (**QBs**) shall maintain an NSFR of at least 100.0% at all times. An observation period was set from 1 July 2018 to 31 December 2018 with actual implementation beginning 1 January 2019. On 15 March 2019, the Monetary Board approved the extension of the observation period for the LCR and NSFR for subsidiary banks and quasi-banks of universal and commercial banks until 31 December 2019, moving the effectivity dates of said ratios to 1 January 2020. Compliance with these ratios may also further increase competition among banks for deposits as well as high quality liquid assets.

On 13 February 2020, the BSP issued Memorandum No. M-2020-003 which provided guidelines on the electronic submission of the Basel III Net Stable Funding Ratio (**NSFR**) Report and Liquidity Coverage Ratio Report. 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 31 January 2020, in line with BSP Circular Nos. 1034 and 1035, both dated 15 March 2019.

However, on 4 May 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 CCB 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 Group 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 Group's ability to grow its business and may even require the Group to withdraw from or to curtail some of its current business operations, which could materially and adversely affect the Group's business, financial condition and results of operations. There can also be no assurance that the Group will be able to raise adequate additional capital in the future at all or on terms favorable to it. In addition, the implementation of Basel III may require the Group to divest itself of certain non-allied undertakings. If the Group 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 Group 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 Group'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.

As of 31 December 2021, according to the BSP and under the Revised Basel III standards (Memorandum No. M-2013-056), the Philippine universal and commercial banking industry's CAR was 17.1% on a consolidated basis and 16.5% on a nonconsolidated basis. As of 31 December 2021, the Group's consolidated Tier 1 capital adequacy ratio/CET1 ratio and total consolidated capital adequacy ratio were 19.3% and 20.1%, respectively, as reported to the BSP.

In addition, the BSP on 29 October 2014 issued BSP Circular No. 855 regarding guidelines on sound credit risk management practices, including the amendment on loan loss provisions on loans secured by real estate mortgages. Under 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 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 Group or cause the Group to alter its credit risk management systems, which may adversely affect the Group'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

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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 Group's business, financial position and results of operations may be adversely affected.

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 26 March 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 30 June 2023; and the provisions for improperly accumulated earnings tax was repealed. For incentives, the total period of incentive alignment has been increased to 17 years, while other incentives will depend on the industries defined by the National Economic and Development Authority and ability to generate jobs.

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 gross receipt tax 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 exemption of non-monetary documents from DST.

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 (such as the fourth package of the CTRP) 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.

On 29 May 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 1 July 2025.

CMEPA introduced, 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 0.6% to 0.1% 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 Bank's and Philippine Savings Bank's (PSBank) provisioning policies in respect of NPLs require significant subjective determinations which may increase the variation of application of such policies.

BSP regulations require that Philippine banks 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, the type of loan, the 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 PSBank 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.

Furthermore, the level of loan loss provisions which the Bank and PSBank recognize have been affected in the past and may increase in the future due to the introduction of new accounting standards and implementation of tighter regulations on credit risk (e.g., BSP Circular No. 1011 adoption of expected credit loss model in measuring credit impairment in accordance with the provisions of PFRS 9). The level of provisions currently recognized by the Bank and PSBank in respect of their respective loan portfolio depends largely on the quality of the portfolio and estimated value of the collateral coverage for the portfolio. Although each of the Bank and PSBank has a policy to test its loan portfolio for impairment on a regular basis in order to ensure adequacy of provisions as needed and in line with changing market conditions, the level of the Bank's and PSBank's provisions may not be adequate to cover increases in the amount of its NPLs, or any deterioration in the overall credit quality of the Bank's or PSBank's loan portfolio, including the value of the underlying collateral. In particular, the amount of the Bank's and PSBank's reported loan losses may increase in the future as a result of factors beyond the Bank's and PSBank's control.

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

Certain accounting standards have been adopted in the Philippines based on International Accounting Standards, which require the Bank's loan loss provisions to reflect the net present value of the cash flows of the loan and underlying collateral. PFRS 9's Expected Credit Loss (ECL) model poses risk of variability of provisions due to the subjective nature of assumptions used and complexity of data requirements for the model forecasts as well as potentially unforeseen changes in macroeconomic and industry conditions. The Bank adopted PFRS 9 effective 1 January 2018. Under the ECL model, the Group's provision for credit losses on loans and receivables amounted to ₱6.0 billion and ₱12.4 billion as of 31 December 2024 and 2025, respectively. The Group's allowance for credit losses amounted to ₱51.9 billion as of 31 December 2025. *See the auditor's report and Note 15 of the audited consolidated financial statements of the Group elsewhere in this Offering Circular for more information.*

While the Group believes its current level of provisions and collateral position are more than adequate to cover its NPLs exposure, an unexpected or significant increase in NPL levels may result in the need for higher levels of provisions in the future.

The Philippine banking industry is generally exposed to higher credit risks and greater market volatility compared to 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 NPL ratios exclusive of interbank loans in the Philippine universal and commercial banking industry were 3.3%, 3.3% and 3.4% as of 31 December 2023, 2024 and 2025, respectively.

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

Philippine banks are exposed to a variety of risks, including credit risk, market risk, portfolio risk, foreign exchange risk and operational risk. The effectiveness of their risk management is limited by the quality and timeliness of available data in the Philippines in relation to factors such as the credit history of proposed borrowers and the loan exposure borrowers have with other financial institutions. In addition, the information generated by different groups within each bank, including the Group, may be incomplete or obsolete. The Group 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 Group'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 Group 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 Group's ability to manage these risks and on the Group's financial condition, liquidity and results of operations.

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

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

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

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

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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 11 March 2014 as an Expanded Affiliate Group i.e., Metropolitan Bank & Trust Company (lead financial institution) and subsidiaries – First Metro (including First Metro Securities Brokerage Corporation (**First Metro Securities**), PBC Capital Investment Corporation, First Metro Asia Focus Equity Fund, Inc. and Resiliency SPC, Inc.), PSBank, MCC, Orix Metro Leasing and Finance Corporation, 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.00000.LE.608.

Under the IGA, the Secretary of Finance or Commissioner of Internal Revenue is the competent authority to receive FATCA information for reporting to the 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.

Philippine banks also face the threat of being assessed for documentary stamp tax upon their issue of passbooks for higher interest rate deposits. The Court of Tax Appeals has, in several cases against other Philippine banks, affirmed the BIR's position that passbooks for higher interest rate deposits having the essential features of a certificate of deposit are subject to the documentary stamp tax imposed on certificates of deposit. These proceedings are currently on appeal and if the BIR's position is upheld it could result in the Group's taxation charge being increased.

In addition, new taxation regulations issued by the BIR may have an adverse effect on the Group. If the Group 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 BANK AND THE GROUP

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

The Group's results of operations have been, and will continue to be, adversely affected by its NPL levels. The Group's total NPLs were equal to ₱26.2 billion, ₱26.0 billion and ₱34.1 billion as of 31 December 2023, 2024 and 2025, respectively, while the Group's total NPLs to gross loans ratios were at 1.7%, 1.4% and 1.7% as of 31 December 2023, 2024 and 2025, respectively. As of 31 December 2023, 2024 and 2025, the Group's allowance for credit and impairment losses on receivables from customers were ₱47.2 billion, ₱42.5 billion and ₱48.0 billion, respectively, representing 3.0%, 2.3% and 2.4% of the Group's total loan portfolio for these periods, respectively.

Volatile economic conditions in the Philippines, including the disruption and uncertainty due to volatile foreign exchange and interest rates, rising inflation, and outbreak of diseases such as COVID-19, may adversely affect many of the Group's customers, causing uncertainty regarding their ability to fulfil obligations under the Group's loans and significantly increasing the Group's exposure to credit risk. For example, rising interest rate levels may adversely affect the Philippine economy in general and the ability of commercial and retail borrowers to repay their loans to the Bank in particular. These and other factors could result in an increased number of NPLs and a significant level of provisions for impairment losses in the future. Any significant increase in the Group's NPLs could materially and adversely affect the Group's business, financial condition and results of operations.

See also "*Risks Relating to the Philippine Banking Industry —Public health epidemics or outbreaks of diseases could have an adverse effect on economic activity in the Philippines, and could materially and adversely affect the Group's business, financial condition and results of operations.*"

The Group may incur significant losses from its trading and investment activities due to market fluctuations and volatility.

The Group's income from trading and investment 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, the Group posted trading and securities gain, foreign exchange gain and gain on disposal of investment securities at amortized cost of ₱4.0 billion, ₱5.6 billion and ₱8.2 billion for the years ended 31 December 2023, 2024, and 2025, respectively.

Such volatility may be due to an increase or decrease in interest rates, which may have a substantial impact on the value of the Group's investments in fixed income securities. Escalating inflationary pressures in the past have prompted the Group, in line with other financial institutions in the Philippines, to shorten the duration of its Peso securities inventory to avert potential losses that may arise once interest rates rise. This has resulted in lower Peso asset yields on replacement securities. In addition, downgrades of the credit ratings of some of these fixed income securities may negatively affect the Group's results of operations. Although the Group does have market risk limits in place to mitigate these risks, there can be no assurance that the Group will not incur substantial investment and trading losses in the future in connection with its investment and trading activities.

The Group has a significant exposure to the Philippine real estate market; therefore, a downturn in the Philippine real estate market could increase the Group's NPLs and otherwise adversely affect the Group's business, financial condition and results of operations.

The Group has significant exposure to the Philippine real estate market due to its portfolio of loans to real estate companies, as well as the level of real estate it holds as collateral. As of 31 December 2025, loans secured by real estate collateral accounted for 5.0% of the Group's total secured loans to customers and loans to customers involved in real estate, renting and other real estate related activities accounted for 18.3% of the Group's loans to customers. The Philippine real estate market is highly cyclical, and real estate prices in general have been volatile. Real estate prices are affected by a number of factors, including, among other things, the supply of and demand for comparable properties, the rate of economic growth in the Philippines, remittances from overseas Filipino workers (OFWs) and political and economic developments. Accordingly, an extended downturn in the Philippine real estate sector could increase the level of the Group's NPLs and related provisions for impairment loan losses, reduce the Group's net income and consequently materially and adversely affect the Group's business, financial condition and results of operations.

The Group's portfolio of real and other properties acquired (ROPA), which are included in 'Investment Properties', exposes the Group to risks related to realizing the value of its ROPA and risks related to the valuation of, and provisions with respect to, its ROPA.

The Group has a substantial portfolio of ROPA amounting to ₱8.1 billion as of 31 December 2025. While the amount of ROPA appearing on the Group's statement of financial position is shown net of allowance for impairment losses and depreciation in value, there can be no assurance that the Group will be able to recover the full estimated value of ROPA stated in its financial statements. The Group's ROPA is subject to the risks associated with the cyclical Philippine real estate market. Furthermore, given the Group's significant amount of ROPA, it may take several years before the Group is able to realize a significant part of the value of its ROPA. Delays in realizing the value of its ROPA may result in further provisions if the ROPA loses value over time. Under Philippine Accounting Standards (PAS) 40 "*Investment Property*", the Group carries the value of the foreclosed properties at cost which represents the fair value at the time of foreclosure and, in the case of depreciable property, depreciated over such property's useful life. While the Group, at each statement of financial position date, provides for impairment losses on its foreclosed properties in accordance with PFRS Accounting Standards, it may incur further expenses to maintain such properties. In realizing cash value for such properties, the Group may incur further expenses such as legal fees and taxes associated with such realization. There can be no assurance that the Group will be able to realize the full value, or even partial value, of its ROPA.

Historically low interest rates, expansion in overall liquidity, extensive construction of housing units and other factors could lead to the risk of formation of asset bubbles in real estate, which could adversely affect the Group's business, which has a substantial portfolio of real properties.

The Group has a substantial portfolio of real properties. One of the risks inherent in any real estate property market is the possibility of an asset price bubble. This occurs when there is a gross imbalance between the supply and demand in the property market, causing an unusual increase in asset prices, followed by a drastic drop in prices when the bubble bursts.

A pivot toward an expansionary monetary policy has resulted in a 200-basis-point reduction in domestic interest rates since August 2024. This easing trajectory was characterized by three (3) rate cuts in 2024, followed by an additional five (5) rate cuts throughout 2025, with an additional 25-basis-point reduction in February 2026. The BSP's flexibility in pursuing this accommodative stance has been supported by decelerating inflation, particularly within the food and rice sectors. Moreover, the need for continued policy support has been underscored by recent growth headwinds, including the economic impact of severe weather disruptions and the domestic fallout from high-profile corruption scandals.

In the Philippines, the growth of the real estate sector is mainly driven by low interest rates, robust remittances from OFWs, and the fast-growing Business Process Outsourcing sector which is vulnerable to global economic changes.

All of these factors have increased the risk that rising prices may not be sustainable, particularly in the real estate sector. If rising prices are not sustained, the result could have a material adverse effect on the Group's business, financial condition and results of operations.

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

As of 31 December 2023, 2024 and 2025, the Group's secured loans represented 35.0%, 33.8% and 33.0% of the Group's total loans, respectively, and 16.1%, 15.2% and 15.2% of the collateral on these secured loans consisted of real properties. There can be no assurance that the collateral securing any particular loan will protect the Group from suffering a partial or complete loss if the loan becomes non-performing. The recorded values of the Group's collateral may not accurately reflect its liquidation value, which is the maximum amount the Group 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 Group's loans. In addition, some of the valuations in respect of the Bank's collateral may also be out-of-date or may not accurately reflect the value of the collateral. In certain instances, where there are no purchasers for a particular type of collateral, there may be significant difficulties in disposing of such collateral at a reasonable price. Any decline in the value of the collateral securing the Group's loans, including with respect to any future collateral taken by the Group, would mean that its provision for credit losses may be inadequate and the Group may need to increase such provision. Any increase in the Group's provisions for credit losses could materially and adversely affect the Group's business, financial condition and results of operations.

Furthermore, the Group may not be able to recover in full the value of any collateral or enforce any guarantee due, in part, to difficulties and delays involved in enforcing such obligations through the Philippine legal system. To foreclose on collateral or enforce a guarantee, banks in the Philippines are required to follow certain procedures specified by Philippine law. These procedures are subject to administrative and bankruptcy law requirements which may be more burdensome than in certain other jurisdictions. The resulting delays can last several years and lead to a 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

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insured. These factors have exposed, and may continue to expose, the Group to legal liability while in possession of the collateral. These difficulties may significantly reduce the Group's ability to realize the value of its collateral and therefore its effectiveness in taking security for the loans it grants.

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

As of 31 December 2025, the Group's total exposure to borrowers (total loans, or outstanding receivables from customers) was ₱2.0 trillion. The Bank's ten largest individual borrowers in aggregate accounted for 18.3% of the Group's total exposure and its ten largest borrower groups in aggregate accounted for 42.0% of the Group's total exposure. The BSP generally prohibits any bank from maintaining a financial exposure to any single person or group of connected persons in excess of 25% of the bank's net worth. As of 31 December 2025, the Bank's single borrower's limit was computed at ₱101.0 billion. In determining whether the Group meets the single borrower's limit of the BSP, the Group includes exposures to related accounts (covering accounts of subsidiaries and parent companies of the borrower). The Bank's largest single borrower as of 31 December 2025 accounted for 3.8% and 4.4% of the Group's and the Bank's total exposure, respectively, and 19.1% of the Bank's total equity. The Bank's largest borrower group as of 31 December 2025 accounted for 8.0% and 9.3% of the Group's and the Bank's total exposure, respectively, and 40.4% of the Bank's total equity. Credit losses on these large single borrower and group exposures could adversely affect the business, financial condition and results of operations of the Group.

The Group has extended loans to several sectors in the Philippines. The table below sets out the Group's five largest industry exposures in amount and percentage of its total loan portfolio as of 31 December 2025.

Rank	Industry	Amount	Percent of Total Exposure to Borrowers
		(₱ millions)	(%)
1	Real estate activities	365,208	18.3
2	Wholesale and retail trade, repair of motor vehicles, motorcycles.....	263,444	13.2
3	Manufacturing	178,171	8.9
4	Financial and insurance activities	170,631	8.6
5	Electricity, gas, steam and air conditioning supply	138,668	7.0
	Total	1,116,122	56.0

The Group's exposure to these five sectors, totaling ₱1.1 trillion, constituted 56.0% of the Group's total loan portfolio as of 31 December 2025. Although the Group's portfolio contains loans to a wide variety of businesses, financial difficulties in these industries could increase the level of NPLs and restructured assets, and could materially and adversely affect the Group's business, financial condition and results of operations.

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

As of 31 December 2025, 67.0% of the Group's lending portfolio was unsecured. Unsecured loans, which primarily consist of credit cards, personal loans and loans to top tier corporates, entail a higher degree of credit risk than loans secured by collateral. For example, a downturn in the Philippine or global economies may result in a higher level of NPLs with unsecured obligations which would, in turn, negatively impact the Group's asset quality and increase write-offs without the possibility of mitigation through the acquisition of collateral assets. Any increase in the level of NPLs with unsecured obligations could materially and adversely affect the Group's business, financial condition and results of operations.

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

The Group plans to continue to expand its consumer loan operations, including home mortgage loans, auto loans and credit card services. Such expansion plans will increase the Group'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 a deterioration in the credit quality of the Group's consumer loan and credit card portfolios. A rise in unemployment or an increase in interest rates, among others, could have an adverse impact on the ability of borrowers to make payments and increase the likelihood of potential defaults and reduce demand for consumer loans, which could materially and adversely affect the Group's business, financial condition and results of operations.

The Group's restructured loans may become non-performing due to the way these loans have been structured or otherwise as a result of the inherent weaknesses of the borrower.

When restructuring a number of its loans, the Group has agreed with borrowers to set interest payments at a relatively low level for a certain period of time, followed by much larger payments of interest in later periods. The lower level of initial payments increases the likelihood that a restructured loan will be reclassified as a performing loan. Generally, a restructured loan is reclassified as a performing loan once three consecutive payments of the required amortization of principal and/or interest are made. However, future payments that are significantly higher than the initial payments may cause the loan to be subsequently reclassified as non-performing if the borrower is unable to meet its higher payment obligations. In addition, based on the experience of the Group, loans that have been restructured and are reclassified as performing loans are, in general, more likely to become NPLs in the future, compared to other loans. As of 31 December 2023, 2024 and 2025, ₱4.0 billion, ₱2.4 billion and ₱4.9 billion of restructured loans, respectively, were classified as NPLs. As of 31 December 2023, 2024, and 2025, the Group had ₱5.2 billion, ₱3.9 billion and ₱6.3 billion of restructured loans respectively, in its loan portfolio, ₱1.2 billion, ₱1.5 billion and ₱1.4 billion of which, respectively, was included under the Group's performing loans. If a significant number of the Group's customers are unable to meet their payment obligations under restructured loans, the Group's NPL portfolio will increase, thereby requiring additional allowances, and could materially and adversely affect the Group's business, financial condition and results of operations.

The Group may not be successful in implementing new business strategies.

The Group's ability to grow its revenue will partly depend on its ability to successfully implement its business strategies, which may expose the Group 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 Group anticipates, and there can be no assurance that new business activities will become profitable at the level the Group desires or at all;
- the Group's competitors may have substantially greater experience and resources for new and expanded business activities; and
- economic conditions, such as rising interest rates or inflation, could hinder the Group's expansion, particularly in the consumer loan industry.

Specifically, the Group intends to penetrate the retail loan segment and rebalance its corporate loan portfolio by providing more loans to small- and medium-sized enterprises (SMEs) and the middle-market segment, which it expects to have strong growth potential and increased loan appetite. However, there can be no guarantee that such strategy will achieve success due to several factors, including, increasing competition and changes in the macro-economic environment. In expanding its suite of products and services, particularly in the retail and wealth management segments, the Group expects to encounter significant competition from other banks already offering or are in the process of adding such products or services. There can be no assurance that the Group will be able to compete effectively against such existing banks or that new products will be met with sufficient customer demand, which may lead to lower than expected return on investments for the Group. Further, the Group aims to enhance existing branch efficiencies to grow its deposit base as well as offer cross-selling opportunities to new and existing customers. However, there is no assurance that such strategy will be successful, as a result of other banks moving into the same geographic areas, among other factors.

In addition, new business endeavors and acquisitions may require knowledge and expertise which differ from those used in the current business operations of the Group, including different management skills, risk management procedures, guidelines and systems, credit risk evaluation, monitoring and recovery procedures. The Group may not be successful in developing such knowledge and expertise.

The Group'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.

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

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

The Bank's investments in subsidiaries amounted to ₱83.1 billion as of 31 December 2025. As prescribed under BSP Circular No. 538, as amended by BSP Circular No. 781, investments in the equity of unconsolidated subsidiary banks and quasi-banks, securities dealers/brokers, insurance companies, other financial allied undertakings after deducting goodwill, if any, and reciprocal investments in the equity of other banks/enterprises and reciprocal investments in other regulatory capital instruments of other banks and quasi-banks, among others, are deductions from the gross qualifying capital in computing for the risk-based capital adequacy ratio (CAR).

As required by the BSP, CAR, expressed as a percentage of qualifying capital to risk-weighted assets, shall not be less than 10% on both a non-consolidated and consolidated basis. Whenever the capital accounts of a bank are deficient with respect to the prescribed risk-based CAR of 10%, the Monetary Board of the BSP (the **Monetary Board**) may impose monetary and non-monetary sanctions on the chief executive officer and/or the board of directors of the bank for non-reporting violations and may limit or prohibit the distribution of the net profits and require that part or all of the net profits be used to increase the capital accounts until the minimum requirement is met. The Monetary Board may also restrict or prohibit the making of new investments of any sort by the bank, except for purchases of readily marketable evidences of indebtedness issued by the government and the BSP until the minimum CAR is restored. 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 does not have positive earnings, has Common Tier Equity 1 (CET1) of not more than 8.5% and has not complied with the 10% minimum CAR.

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

The Group has business interests in a number of highly regulated sectors, including banking, leasing, credit cards, real estate investments and insurance. Each of these businesses is subject to separate regulatory regimes and guidelines that are periodically subject to change. Failure to comply with relevant laws and regulations may result in financial penalties or administrative or legal proceedings against the Group, including the revocation of the Group's licenses, permits or certificates. Regulators of the Group's businesses may alter current regulations or introduce new regulations to control any particular line of business. There can be no assurance that the guidelines issued by the regulatory authorities will not materially and adversely affect the Group's business, financial condition or results of operations. For instance, on 19 January 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. For a discussion of the banking regulations governing the Group, see "*Banking Regulation and Supervision*".

Increased enforcement by the Government related to priority lending for the agriculture, fisheries, and rural development sectors could adversely affect the Group's business, financial condition and results of operations.

The Government has imposed a lending policy requiring Philippine banks to extend certain loan amounts to agriculture, fisheries and rural development sectors of the country. Failure to meet the specified level of loans may result in fines being assessed against a non-compliant bank. Because the Group is unable to generate sufficient exposure to the agrarian reform and agricultural sectors due to its prudent credit and risk management policies, the Group has paid fines in the past and may continue to do so in the future. There can be no assurance that the Government will not increase its penalties for non-compliance or force banks to lend in accordance with the policy in the future. If the Government substantially increases the penalty for non-compliance or the Group is forced to extend loans to the agrarian reform and agricultural sectors that are inconsistent with the Group's credit and risk management policies, it could materially and adversely affect the Group's business, financial condition and results of operations.

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

To the extent any of the instruments or strategies the Group uses to manage its exposure to market or credit risks are not effective, the Group may not be able to effectively mitigate its risk exposures. The Group's trading revenues and interest rate risk exposure

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are dependent upon its ability to properly identify and mark to market the changes in the value of financial instruments caused by changes in market prices or rates. The Group's earnings are dependent upon, among others, the effectiveness of its management of migrations in credit quality and risk concentrations, the accuracy of its valuation models and its critical accounting estimates and the adequacy of its allowances for credit losses. To the extent its assessments, assumptions or estimates prove inaccurate or not predictive of actual results, the Group could suffer higher than anticipated losses. The successful management of credit, market and operational risks is an important consideration in managing its liquidity risk because it affects the evaluation of its credit ratings by rating agencies. A failure by the Group to effectively manage its credit, market and liquidity risk could materially and adversely affect the Group's business, financial condition and results of operations.

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

The Group is subject to risks relating to its information and technology systems and processes. The hardware and software used by the Group 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 Group. These may, in turn, adversely affect the Group's business, financial condition and results of operations.

The Group also seeks to protect its computer systems and network infrastructure from physical break-ins as well as security breaches and other disruptive problems caused by the Group's increased use of the internet. Computer break-ins and security breaches could affect the security of information stored in and transmitted through these computer systems and network infrastructure. The Group employs security systems, including firewalls and password encryption, designed to minimize the risk of security breaches and maintains operational procedures to prevent break-ins, damage and failures. The potential for fraud and securities problems is likely to persist and there can be no assurance that these security measures will be adequate or successful. The costs of maintaining such security measures may also increase substantially. Failure in security measures could materially and adversely affect the Group's business, financial condition and results of operations.

Further, the Group is currently undertaking a replacement project for its core banking system, and intends to enhance its digital applications and information and technology capabilities to improve customer experience and operational efficiency. There is no assurance that any of these initiatives will be successful whether as a whole or in part, or that the Group will be able to implement any of these programs in an effective, efficient or timely manner.

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

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

The Bank is subject to restrictive debt covenants that may limit the Bank's ability to finance its future operations and capital needs and to pursue business opportunities and activities.

The Bank has entered into financing agreements which have, among other things, restricted the Bank's ability to undertake certain transactions or activities. All of the limitations are subject to significant exceptions and qualifications. These covenants could limit the Bank's ability to finance its future operations and capital needs and the Bank's ability to pursue business opportunities and activities that may be in its interest.

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

The Group's success 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 materially and adversely affect the Group's business, financial condition and results of operations.

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

The Group is, and may in the future be, implicated in lawsuits on an on-going basis. Litigation could result in substantial costs to, and a diversion of effort by, the Group and/or subject the Group to significant liabilities to third parties. There can be no assurance that the results of such legal proceedings will not materially harm the Group's business, reputation or standing in the marketplace or that the Group will be able to recover any losses incurred from third parties, regardless of whether the Group is at fault. However, 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 Group's business, financial condition and results of operations, or (ii) provisions made for litigation related losses will be sufficient to cover the Group's ultimate loss or expenditure.

If the Group is not able to integrate any future acquisitions, the Group's business could be disrupted.

The Group may seek opportunities for growth through mergers or acquisitions or be required to undertake acquisitions mandated by the BSP. On 18 October 2017, the Board approved the acquisition by the Bank of ANZ Funds Pty Ltd (**ANZ Funds**) stake in Metrobank Card Corporation (**MCC**), and the BSP approved the acquisition on 28 December 2017. On 3 January 2020, the Philippine SEC formally approved the merger between the Bank and MCC. The Bank's acquisition of ANZ Funds' 40% stake in MCC and any future mergers or acquisitions may involve a number of risks, including reduction of capital adequacy, deterioration of asset quality, diversion of its management's attention required to integrate the acquired business, failure to retain key acquired personnel and clients or find new personnel for senior management or other key roles, lack of synergies, the need to rationalize operations, or the need to develop the skills required for new businesses and markets, or unknown liabilities, some or all of which could materially and adversely affect the Group's business, financial condition and results of operations.

The Bank's treasury and risk management functions and systems are conducted separately from such functions for its subsidiaries, thereby exposing the Bank and the Group to significant risks.

BSP regulations mandate that certain risk management functions and systems be managed and installed on an entity-by-entity basis. As such treasury functions, including trading and investment functions are performed by separate teams at the Bank and PSBank, while the risk management function is also conducted by separate teams across the Bank, PSBank, and First Metro. Although the Group has a Group risk supervision unit that consolidates the market, liquidity, credit and operational risk of the Group and a Group risk coordinating council headed by the credit risk officer of the Bank and is composed of the credit risk officers of member of the Group which aims to oversee Group risk and align the risk management processes across all members of the Group, the Group may not possess information that enables it to assess properly the credit, market, foreign exchange and other operational risks applicable to its subsidiaries or to the Group as a whole.

The Group is subject to regulatory risks associated with expanding its operations into new geographic markets.

While the Philippine market is the Group's primary market, the Group has expanded its operations to other parts of the world, including China, Japan, South Korea, the United Kingdom, the United States and Taiwan. The banking industries in these markets are also highly regulated and there may be restrictions on foreign banks or foreign investments. There may also be the additional burdens of complying with a wide variety of foreign laws and regulations, especially with regard to the money laundering statutes and the tightening of capital requirements, which could exert pressure on the Group. In addition, the Group may experience difficulties dealing with unfamiliar regulatory environments and legal systems, which may put them at a competitive disadvantage compared to their local competitors. The failure of the Group to effectively manage these challenges could materially and adversely affect the Group's business, financial condition and results of operations.

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The Bank is an associate of GT Capital and the Ty family and the interests of GT Capital and the Ty family may not be aligned with those of the Holders.

The Bank is an associate company of GT Capital. As of 31 December 2025, GT Capital held 39.84% of the common shares of the Bank. In addition, as at the same date, the Ty Family and related entities held a combined additional 12.2% interest in the Bank. The remaining outstanding common shares of the Bank are held by the public.

GT Capital has significant influence over the outcome of all matters to be decided by the Bank's shareholders including the composition of its Board of Directors. The interests of GT Capital and the Ty family may not be aligned with those of the Holders.

CONSIDERATIONS RELATING TO THE BONDS AND COMMERCIAL PAPERS

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

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

Each potential investor in the Bonds and Commercial Papers 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 and Commercial Papers, the merits and risks of investing in the Bonds and Commercial Papers 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 Commercial Papers and the impact the Bonds and Commercial Papers 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 and Commercial Papers, 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 Commercial Papers and be familiar with the behavior of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

The Issuer may be unable to redeem the Bonds and Commercial Papers.

At maturity, the Issuer will be required to redeem all of the Bonds and Commercial Papers. 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 and Commercial Papers in time, or on acceptable terms, or at all. The ability to redeem the Bonds and Commercial Papers 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 and Commercial Papers would constitute an event of default under the Bonds and Commercial Papers, 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 and Commercial Papers.

Liquidity for the Bonds and Commercial Papers

The Bonds and Commercial Papers are a new issue of securities for which there is currently no active trading market. Even if the Bonds and Commercial Papers are listed on the PDEX, trading in securities such as the Bonds and Commercial Papers 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 and Commercial Papers 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 or Commercial Papers will develop and, if such a market were to develop the Joint Lead Managers and Joint Bookrunners are under no obligation to maintain such a market. The liquidity and the market prices for the Bonds and Commercial Papers 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.

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. These Settlement Rules and Guidelines include guidelines on 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. An investor Frequently Asked Questions (“FAQ”) discussion on the secondary market trading, settlement, documentation and estimated fees are also available in the PDEX website.

The Bank has no control over this risk as active trading of the Bonds and Commercial Papers is highly dependent on the Holders.

The holder may face possible gain or loss if the Bonds and Commercial Papers are sold at the secondary market.

As with all fixed income securities, the Bond and Commercial Paper’s market values move (either up or down) depending on the change in interest rates. The Bonds and Commercial Papers when sold in the secondary market are worth more if interest rates decrease since the Bonds and Commercial Papers have a higher interest rate relative to the market. Likewise, if the prevailing interest rate increases, the Bonds and Commercial Papers 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 and Commercial Papers.

Transfers only through PDEX

While the Bonds and Commercial Papers are listed on PDEX, all transfers of the Bonds and Commercial Papers 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 and Commercial Papers 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 and Commercial Papers 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).

As with other fixed income securities, the Bonds and Commercial Papers 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 holder would receive sales proceeds lower than his initial investment should a holder decide to sell his Bonds or Commercial Papers prior to maturity.

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

No other loan or other debt facility currently or to be entered into by the Issuer shall have preference of priority over the Bonds and Commercial Papers as accorded to public instruments under Article 2244(14) of the Civil Code of the Philippines, and all banks and lenders under any such loans or facilities that are notarized have waived the right to the benefit of any such preference or priority. However, should any bank or holder hereinafter have a preference or priority over the Bonds and Commercial Papers as a result of notarization, then the Issuer shall at the Issuer’s option, either procure a waiver of the preference created by such notarization or equally and ratably extend such preference to the Bonds and Commercial Papers as may be practicable.

Issuance and Transfer Restrictions

The Bonds and Commercial Papers may not be issued or transferred to Prohibited Holders 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 and Commercial Papers 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 and Commercial Papers may not reflect all risks.

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

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

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

Whilst the Bonds and Commercial Papers are maintained in scripless form through the Registrar, and persons classified as U.S. persons under FATCA are considered Prohibited Holders, in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the Registrar. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary is generally unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or such other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or such other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. The Issuer’s obligations under the Bonds and Commercial Papers are discharged once it has paid the Paying Agent and the Issuer has therefore no responsibility for any amount thereafter transmitted through such custodians or intermediaries. There is no assurance that the secondary trading of the Bonds and Commercial Papers may not be affected by FATCA.

Taxation of the Bonds and Commercial Papers

The Philippine Tax Code provides that interest on interest-bearing obligations of Philippine residents, such as the Bonds and Commercial Papers, are Philippine-sourced income subject to Philippine income tax. Interest income derived by Philippine citizens and alien resident individuals from the Bonds and Commercial Papers 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 and Commercial Papers 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 and Commercial Papers is subject to a final withholding tax rate of 20%. Non-resident foreign corporations shall be subject to a final withholding tax of 25% of gross income received from all sources in the Philippines, including the interest earned from the Bonds or Commercial Papers.

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

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rate of 15% in cases where the interest which arises in the Philippines is paid to a resident of the other contracting state. However, most tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the interest who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant interest-bearing instrument is effectively connected with such permanent establishment.

CONSIDERATIONS RELATING TO THE BONDS ISSUED AS SUSTAINABILITY BONDS

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

The Bank may, from time to time, issue "Green," "Social," or "Sustainability" Bonds (collectively, "**Sustainability Bonds**"), the proceeds of which are intended specifically for the financing or refinancing of Eligible Green and/or Social Projects as defined under the Bank's Sustainable Finance Framework ("**SFF**"). In connection with such issuances, the Bank may obtain a Second Party Opinion ("**SPO**") to confirm alignment with the ICMA Green Bond Principles 2025, Social Bond Principles 2025, Sustainability Bond Guidelines 2021, and the ASEAN Green, Social Sustainability Bonds Standards 2018.

However, prospective investors should note that there is currently no specific definition (legal, regulatory or otherwise) of, nor global market consensus on the precise attributes required for a project to be defined as "green," "social," or "sustainable." Consequently, no assurance can be provided that the projects funded by the proceeds will meet all investor expectations or continue to satisfy evolving eligibility criteria throughout the term of the Bonds. Furthermore, even if projects are selected in accordance with recognized categories, unforeseen adverse environmental or social impacts may occur during their implementation, including during the design, construction, commissioning and/or operation of such projects. Should such impacts remain insufficiently mitigated, the projects may become subject to controversy or criticism from stakeholders or activist groups, which could negatively influence the market perception of the Bonds.

Accordingly, no assurance is or can be given by the Bank, the Joint Lead Managers and Joint Bookrunners and the Selling Agents or any other person to investors that any projects or uses, the subject of or related to, any eligible projects (as defined and described in the Bank's SFF), will meet any or all investor expectations regarding such "green", "social", "sustainability", or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses, the subject of or related to, any eligible projects. In addition, no assurance can be given by the Bank, the Joint Lead Managers and Joint Bookrunners and the Selling Agents or any other person to investors that any Sustainability Bonds will comply with any future standards or requirements regarding any "green", "social", "sustainability", or other equivalently-labelled performance objectives and, accordingly, the status of any Sustainability Bonds as being "green", "social", "sustainability" (or equivalent), could be withdrawn at any time.

Potential investors should be aware that any SPO will not be incorporated into, and will not form part of, this Offering Circular. Any such SPO may not reflect the potential impact of all risks related to the structure of the relevant Sustainability Bonds, their marketability, trading price or liquidity or any other factors that may affect the price or value of the Sustainability Bonds. Any such SPO is not a recommendation to buy, sell or hold any Sustainability Bonds and is only current as of its date of issue, and is subject to certain disclaimers set out therein, and may be updated, suspended or withdrawn at any time. Any such SPO may not reflect the potential impact of all risks related to the structure, market, marketability, trading price, liquidity, additional risk factors discussed above and other factors that may affect the price or value of the Sustainability Bonds. Any such SPO is for information purposes only and none of the Bank, the Joint Lead Managers and Joint Bookrunners and the Selling Agents accepts any liability for the substance of such Second Party Opinion and/or any liability for loss arising from the use of such Second Party Opinion and/or the information provided in it. Furthermore, prospective investors must independently evaluate the relevance and sufficiency of the information set out in the SFF and any accompanying SPO. It is critical to note that as of the date of this Offering Circular, providers of such opinions and certifications are not subject to any specific regulatory regime or direct oversight. An SPO is a statement of opinion and not a statement of fact, nor is it a recommendation to buy, hold, or sell securities. Neither the SFF nor the SPO is incorporated into or forms part of this Offering Circular. To the fullest extent permitted by law, the Joint Lead Managers and Joint Bookrunners and the Selling Agents do not accept any responsibility for the contents, accuracy, completeness or sufficiency of any such information in such Second Party Opinion or in the SFF. Neither the Bank nor the Joint Lead Managers and Joint Bookrunners and the Selling Agents make any representation as to the suitability or reliability for any purpose of any SPO or whether any Sustainability Bonds fulfil the relevant environmental and sustainability criteria nor accept any form of liability for the substance of the SPO and/or any liability for loss arising from the use of the SPO and/or information provided in it. Any SPO is not, nor should be deemed to be, a recommendation by the Bank or the Joint Lead Managers and Joint Bookrunners and the Selling Agents to buy, sell or hold the Sustainability Bonds. Each potential investor of the Sustainability Bonds should determine for itself the relevance of the information contained in this Offering Circular and its purchase of any Sustainability Bonds should be based upon such investigation as it deems necessary.

Moreover, the status of the Bonds as "green," "social," or "sustainable" could be withdrawn at any time if future standards or performance objectives shift. The Bank, the Joint Lead Managers and Bookrunners and the Selling Agents make no representation

as to the suitability of the Bonds for any particular investment mandate or the reliability of the SFF in fulfilling specific environmental or sustainability criteria. Prospective investors should have regard to the eligible projects and eligibility criteria described in the relevant “*Use of Proceeds*” section of the relevant Pricing Supplement.

A failure by the Bank to comply with its obligations under the SFF, to adhere to various SEC Memorandum Circulars (including No. 12 (2018), No. 8 (2019), No. 9 (2019), and No. 15 (2023)), or to use the proceeds in the manner specified in the Use of Proceeds section will not constitute an “Event of Default” under the Terms and Conditions of the Bonds. The Bank is not legally obligated to ensure that eligible projects are completed within a specified timeframe or that they achieve the originally anticipated outcomes. The Joint Lead Managers and Joint Bookrunners and the Selling Agents have no responsibility for assessing the eligibility of projects or monitoring the ongoing allocation of proceeds.

While it is the intention of the Bank to apply the net proceeds of any Sustainability Bonds and obtain and publish the relevant reports, assessments, opinions and certifications in, or substantially in, the manner described in “*Use of Proceeds*” section of the relevant Pricing Supplement, there can be no assurance that the Bank will be able to do so. In addition, there can be no assurance that any eligible projects will be completed within any specified period or at all or with respect to the results or outcome (whether or not related to the environment, social goals, sustainability goals or similar) as originally expected or anticipated by the Bank.

Any such event or failure to apply the net proceeds of any issue of Sustainability Bonds for any eligible projects or to obtain and publish any such reports, assessments, opinions and certifications will neither constitute an “Event of Default” under the relevant Sustainability Bonds nor give rise to any other claim of an investor in such Sustainability Bonds against the Bank. Any failure to apply the net proceeds of the Sustainability Bonds for eligible projects, the withdrawal of an SPO, or the removal of the Bonds from a dedicated “green” or “sustainable” exchange segment may have a material adverse effect on the trading price and value of the instruments. Such events could also result in adverse consequences for investors with specific portfolio mandates to hold sustainable assets. For instance, such investors may be compelled to dispose of their holdings due to a change in the Bonds’ sustainability status, which may further impair the liquidity and market value of the relevant Sustainability Bonds.

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

CONSIDERATIONS RELATING TO THE STRUCTURE OF THE PARTICULAR ISSUE OF BONDS AND COMMERCIAL PAPERS

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

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

Bonds and Commercial Papers subject to optional redemption by the Bank

An optional redemption feature of Bonds and Commercial Papers is likely to limit their market value. During any period when the Bank may elect to redeem Bonds and Commercial Papers, the market value of those Bonds and Commercial Papers 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 and Commercial Papers when its cost of borrowing is lower than the interest rate on the Notes. 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 and Commercial Papers 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 and/or Dual Currency Bonds and Commercial Papers

The Bank may issue Bonds and Commercial Papers 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 and Commercial Papers with principal or interest payable in one or more currencies which may be different from the currency in which the Bonds and Commercial Papers are denominated. Potential investors should be aware that:

- the market price of such Bonds and Commercial Papers may be volatile;
- they may receive no interest;
- payment of principal or interest may occur at a different time or in a different currency than expected;
- they may lose all or a substantial portion of their principal;
- a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- if a Relevant Factor is applied to Bonds and Commercial Papers 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
- 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 and Commercial Papers. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Bonds and Commercial Papers linked to such a Relevant Factor and the suitability of such Bonds and Commercial Papers in light of its particular circumstances.

Partly-paid Bonds and Commercial Papers

The Bank may issue Bonds and Commercial Papers 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 and Commercial Papers could result in an investor losing all of his investment.

Variable rate Bonds and Commercial Papers with a multiplier or other leverage factor

Bonds and Commercial Papers 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 Bonds and Commercial Papers

Inverse Floating Rate Bonds and Commercial Papers 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 and Commercial Papers 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 and Commercial Papers are more volatile because an increase in the reference rate not only decreases the interest rate of the Bonds and Commercial Papers, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Bonds and Commercial Papers.

Fixed/Floating Rate Bonds and Commercial Papers

Fixed/Floating Rate Bonds and Commercial Papers are instruments 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 and Commercial Papers since 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 and Commercial Papers may be less favorable than then prevailing spreads on comparable Floating Rate Bonds and Commercial Papers tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Bonds and Commercial Papers. 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 and Commercial Papers.

Bonds and Commercial Papers issued at a substantial discount or premium

The market values of securities issued at a substantial discount 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 and Commercial Papers 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 and Commercial Papers linked to or referencing such a benchmark. Regulation (EU) 2016/1011 (the **Benchmarks Regulation**) was published in the Official Journal of the EU on 29 June 2016 and will apply from 1 January 2018 (with the exception of provisions specified in Article 59 (mainly on critical benchmarks) that apply from 30 June 2016 and 3 July 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 and Commercial Papers 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 27 July 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 and Commercial Papers linked to such benchmark (including but not limited to floating rate Bonds and Commercial Papers 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 and Commercial Papers linked to or referencing a benchmark.

The Euro risk free-rate working group for the Euro area has published a set of guiding principles and high-level recommendations for fallback provisions in, amongst other things, new Euro denominated cash products (including bonds) referencing EURIBOR. The guiding principles indicate, amongst other things, that continuing to reference EURIBOR in relevant contracts (without robust fallback provisions) may increase the risk to the Euro area financial system. On 11 May 2021, the Euro risk-free rate working group published its recommendations on EURIBOR fallback trigger events and fallback rates.

Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Bonds and Commercial Papers linked to, referencing, or otherwise dependent (in whole or in part) upon, 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 Bonds and Commercial Papers linked to or referencing a benchmark.

SUSTAINABLE FINANCE FRAMEWORK

The following section sets out a high-level summary of the Metrobank's Sustainable Finance Framework ("SFF") which has been published by the Bank and is available on the Bank's website <https://www.metrobank.com.ph/articles/sustainable-finance-metrobank>. For the avoidance of doubt, the contents of the Bank's website are not incorporated into and does not form part of this Offering Circular.

None of the Joint Lead Managers and Joint Bookrunners or the Selling Agents or any of their respective directors, officers, employees, representatives, advisers, agents or affiliates has reviewed the SFF or assessed whether the Sustainability Bonds would comply with the SFF or any other investor's sustainable investment requirements and accordingly do not accept any responsibility for the contents of the Sustainable Finance Framework.

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

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

Please also see "Investment Considerations – Considerations relating to the bonds issued as Sustainability Bonds – The Bonds issued as sustainability bonds may not be a suitable investment for all investors seeking exposure to green, social or sustainable assets." of this Offering Circular.

Capitalized terms used in this section but not otherwise defined herein shall have the same meaning as defined in the Bank's SFF.

Introduction

At Metrobank, sustainability is embedded in creating value-driving inclusive economic growth, supporting resilient communities, and promoting environmental stewardship. Metrobank's efforts are anchored on three key dimensions: Economic, Governance, and Social, reflecting the holistic impact on society and the environment.

Metrobank recognises the role of financial institutions in driving sustainable development. Metrobank aligns lending and investment activities with the United Nations Sustainable Development Goals ("SDGs"). It developed its SFF to issue sustainable financing instruments ("SFIs"), including, but not limited to bonds, notes, or commercial papers, to finance or refinance, in whole or in part, new or existing assets that have clear environmental and/or social benefits.

Metrobank's SFF aligns with international standards, namely the International Capital Markets Association's Green Bond Principles 2025, Social Bond Principles 2025, and Sustainability Bond Guidelines 2021, and the Loan Market Association's Green Loan Principles 2025 and Social Loan Principles 2025.

Use of Proceeds

The Bank intends to allocate an amount equivalent to the net proceeds of each Green Bond, Social Bond or Sustainability Bond to finance and/or refinance, in whole or in part, the Bank's loans to customers or its own operating activities under the "Eligible Green Categories" and/or "Eligible Social Categories" (each an "**Eligible Category**" and together, the "**Eligible Categories**") that meet the "Eligibility Criteria", as set out in the "*Use of Proceeds*" section of the Bank's SFF.

Project Evaluation and Selection

The Bank's credit and investments teams screen loans or projects in accordance with the Bank's environmental and social risk policies. Evaluation of material environmental and social risks is embedded in the credit underwriting process and mitigation plans must be in place for material risks. Subsequently, the Bank's Sustainability Team assesses and nominates loans or projects that fall within the Eligible Categories and meet the Eligibility Criteria.

Management of Proceeds

Allocation of Proceeds

The Bank intends to allocate all proceeds from SFIs to Eligible Projects within 24 months from the date of issuance.

Tracking of Proceeds

Proceeds will be tracked using a portfolio approach. The Bank will aim to achieve and maintain, on a best-efforts basis, a level of allocation for the Eligible Categories that at least matches or exceeds the net proceeds from SFIs.

Use of Unallocated Proceeds

Any unallocated proceeds may be temporarily held in cash and cash equivalents, investments in money market and short-term, liquid fix income instruments, in line with the Bank's liquidity management policy.

Reporting

Metrobank will provide allocation and impact reports after the first year of issuance, and annually thereafter until full allocation. The Allocation and Impact Reports will be prepared on a portfolio basis. The Allocation Report will disclose the allocation of proceeds among Eligible Categories, while the Impact Report will outline the environmental and/or social contributions using relevant impact indicators aligned to the SFF. For public issuances, such as bonds, Metrobank will request, annually until full allocation, an assurance report from its external auditor, or another qualified party, on the allocation of the bond proceeds to the Eligible Categories. Reports will be published on Metrobank's website.

External Assessment of the Bank's SFF

The Bank's SFF received a Second Party Opinion ("SPO") by Moody's Rating. The SFF and SPO are publicly available on the Bank's website.

GENERAL TERMS AND CONDITIONS

The following are the General Terms and Conditions of the Bonds and Commercial Papers to be issued under the Bank's ₱154.5 Billion Programme. The Programme was established on 2 May 2019 and is part of the Bank's issuances of Bonds and Commercial Papers of up to ₱200.0 Billion as approved by its Board of Directors on 15 December 2021.

The General Terms and Conditions will be incorporated by reference into each Series or Tranche of Bonds or Commercial Papers issued pursuant thereto. The applicable Pricing Supplement in relation to any Series or Tranche of Bonds or Commercial Papers 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 or Commercial Papers.

The Bonds and Commercial Papers were authorized pursuant to a resolutions of the Board of Directors of Metropolitan Bank & Trust Company (the “**Bank**”) dated 19 September 2018 and 15 December 2021, and are covered by a Trust Indenture dated on or about 2 May 2019 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), as may be amended or supplemented from time to time (the “**Trust Indenture**”). The description of the general terms and conditions of the Bonds and Commercial Papers 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 2 May 2019, and which may be amended or supplemented from time to time (the “**Registry and Paying Agency Agreement**”), has been entered into in relation to the Programme and the issuance of Bonds and Commercial Papers 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 and Commercial Papers 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 Commercial Papers 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 and Republic Act No. 10365 and BSP Circular Nos. 251, 253, 279, 527, 564, 608, 612 and 950, and all other amendatory and implementing law, regulation, jurisprudence, notice or order of any Philippine governmental body relating thereto;
“Joint Lead Managers and Joint Bookrunners”	means First Metro Investment Corporation, ING Bank N.V., Manila Branch, Standard Chartered Bank, and such other entities appointed by the Bank in respect of each Series or Tranche of the Bonds or Commercial Papers, 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 Metropolitan Bank & Trust Company, the issuer of the Bonds and Commercial Papers;
“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 Holder and who, at any relevant time, appears in the Registry of Bondholders 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;
“Commercial Papers”	means commercial papers with maturities of three hundred and sixty-five (365) days or less;
“Contracts”	means: (a) the Programme Agreement dated on or about May 2, 2019 between the Bank and the Joint Lead Managers and Joint Bookrunners and Initial Selling Agents, as supplemented, amended and/or restated from time to time; (b) the Trust Indenture dated on or about May 2, 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 May 2, 2019 between the Bank and the Registrar and Paying Agent, as supplemented, amended and/or restated from time to time; (d) the Master Certificate of Indebtedness; (e) these General Terms and Conditions; and (f) the Pricing Supplement for each Series or Tranche of Bonds or Commercial Papers; and (g) such other separate letters or agreements covering conditions precedent, fees, expenses and other obligations of the parties, including amendments or accessions thereto;
“CP Holder”	means a person who is not a Prohibited Holder and who, at any relevant time, appears in the Registry as the registered owner of the Commercial Papers;
“General Terms and Conditions”	means these General Terms and Conditions of the Bonds and Commercial Papers as may be supplemented and/or amended from time to time by the applicable Pricing Supplement for each Series or Tranche of Bonds or Commercial Papers.
“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;
“Holders”	means the Bondholders and the CP Holders;
“Issue Date”	means in respect of any Series or Tranche of Bonds or Commercial Papers, the date of issue and purchase of such Tranche of Bonds or Commercial Papers, 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;
“Majority CP Holders”	means the holder or holders of more than fifty percent (50%) of the principal amount the Commercial Papers 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 Commercial Papers, only the concerned CP Holders 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 Tranche of Bonds or Commercial Papers, any offer or issuance of Bonds or Commercial Papers (or a 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 or Commercial Papers 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 or Commercial Papers, 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 or Commercial Papers;
“Programme”	means the ₱154.5 Billion Bond and Commercial Paper Programme;
“Prohibited Holder”	means persons and entities which are prohibited from purchasing holding the Bonds and Commercial Papers of the Bank pursuant to the BSP Rules, specifically: (a) persons and entities which are prohibited from purchasing holding any Bonds and Commercial Papers 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 and Commercial Papers 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)

“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 CP Holders and the amount of Bonds and Commercial Papers they respectively hold, including all transfers or assignments thereof or any liens or encumbrances thereon;
“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 or Commercial Papers, as the case may be, together with any further Tranche or Tranches of Bonds or Commercial Papers, 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 or Commercial Papers of the relevant Series, Bondholders of the relevant Series, CP Holders of the relevant Series and related expressions shall (where appropriate) be construed accordingly
“Tranche”	means an issuance of Bonds or Commercial Papers 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 and Commercial Papers, 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 and Commercial Papers shall be shown in the Registry maintained by the Registrar. A notice confirming the principal amount of the Bonds or Commercial Papers purchased by each applicant in the Offer shall be issued by the Registrar to all Holders following the Issue Date. Upon any assignment, title to the Bonds and Commercial Papers 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 and Commercial Papers, 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 Holder.

(c) Rating

The Bonds and Commercial Papers are not rated. However, as of date of this Offering Circular, the Bank has a “Baa2” rating for its long-term local currency bank deposits from Moody’s Investor Service (“Moody’s”). The Bank also has a Long-Term Local Currency Issuer Default Rating of “BBB-” from Fitch Ratings (“Fitch”). 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 and Commercial Papers are outstanding. After Issue Date, the Trustee shall likewise monitor compliance by the Bank with certain covenants in relation to the Bonds and Commercial Papers through regular annual reviews.

3. Transfer of Bonds and Commercial Papers*(a) Registry*

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

(b) Transfers; Tax Status

Holders may transfer their Bonds or Commercial Papers at any time, regardless of tax status of the transferor vis-à-vis the transferee. Should a transfer between Holders of different tax status occur on a day which is not an Interest Payment Date, tax-exempt entities trading with non-tax-exempt entities shall be treated as non-tax-exempt entities for the interest period within which such transfer occurred. Transfers taking place in the Registry after the Bonds and Commercial Papers are listed on PDEX shall be allowed between non-tax-exempt and tax-exempt entities without restriction and observing the tax exemption of tax-exempt entities, if and/or when so allowed under and in accordance with the relevant rules, conventions and guidelines of PDEX and PDTC. A Holder claiming tax-exempt status is required to submit a written notification of the sale or purchase to the 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 Holder, or the receipt by the Bank and/or the Registrar and Paying Agent of documentary proof of tax-exempt status of a Holder, the Bank may, in its sole and reasonable discretion, determine that such

Holder is taxable and require the Registrar and Paying Agent to proceed to apply the tax due on the Bonds or Commercial Papers. Any question on such determination shall be referred to the Bank.

The Holders shall be responsible for monitoring and accurately reflecting their tax status in the 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 or Commercial Papers on any Interest Payment Date, shall reflect the tax status of the Holders as indicated in their accounts as of the Record Date.

(c) *Secondary Trading of the Bonds and Commercial Papers*

The Bank shall list the Bonds and Commercial Papers 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 Holders of different tax status, and shall be subject to the relevant fees of PDEX and PDTC.

4. Ranking

The Bonds and Commercial Papers 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 and/or Commercial Papers 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 and/or Commercial Papers shall be determined in the manner specified in the applicable Pricing Supplement.

(b) *Interest Payment Dates*

The Bonds and Commercial Papers 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 or Commercial Papers. 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 Holders 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 Holders entitled to receive interest, principal or any other amount due under the Bonds and Commercial Papers. No transfers of the Bonds or Commercial Papers 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 or Commercial Paper 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 or Commercial Paper 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 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 or Commercial Papers 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 or Commercial Papers 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 or Commercial Papers 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 or Commercial Papers 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 Holders under the Trust Indenture and the Bonds and Commercial Papers.

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 or Commercial Papers, including all accrued interest and other chargers thereon, if any, to be immediately due and payable, and upon such declaration, the same shall be immediately due and payable without 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 or Commercial Papers at any price in the open market or by tender or by contract at any price, without any obligation to purchase Bonds or Commercial Papers pro-rata from all Holders, and the Holders shall not be obligated to sell. Any Bonds or Commercial Papers 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 and Commercial Papers shall be paid by the Bank through the Paying Agent to the Holders by crediting the settlement accounts designated by each of the Holders. The principal of, and interest on, the Bonds and Commercial Papers shall be payable in Philippine Pesos. The Bank shall ensure that so long as any of the Bonds or Commercial Papers remains outstanding, there shall at all times be a Paying Agent for the purposes of the Bonds or Commercial Papers. 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 and Commercial Papers is subject to a final withholding tax at rates ranging from 20% to 25% depending on the tax status of the relevant Holder under relevant law, regulation or tax treaty. Except for such final withholding tax and as otherwise provided, all payments of principal and interest are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of Republic of the Philippines, including, but not limited to, issue, registration or any similar tax or other taxes and

duties, including interest and penalties, if any. If such taxes or duties are imposed, the same shall be for the account of the Bank; provided however that, the Bank shall not be liable for the following:

- (a) Income tax on any gain by a Holder realized from the sale, exchange or retirement of the Bonds or Commercial Papers;
- (b) The applicable final withholding tax on interest earned on the Bonds or Commercial Papers 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 final withholding tax rate shall be for the account of the Holder

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 apostilled or consularized proof of the Holder's legal domicile in the relevant treaty state, and confirmation acceptable to the Bank that the Holder 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 Holder 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 Holder, 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.

Documentary stamp tax for the primary issue of the Bonds and Commercial Papers 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 Holders 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 Commercial Papers 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 and Commercial Papers;
- (d) the Bank has and will continue to have full capacity and authority to enter into the Contracts, issue the Bonds and Commercial Papers 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 and Commercial Papers;

- (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 and Commercial Papers 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 and Commercial Papers 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, authorisation, order or license or the making of any filing or registration) for the issue of the Bonds and Commercial Papers, the validity, performance or enforceability of the Bonds, the Commercial Papers or the Contracts, the carrying out of the other transactions contemplated by the Bonds, Commercial Papers and the Contracts or the compliance by the Bank with the terms of the Bonds, the Commercial Papers 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 Commercial Papers, and the Bonds and Commercial Papers comply with all other terms and conditions imposed by the BSP regarding the issuance of the Bonds and Commercial Papers 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 and Commercial Papers;
- (k) the execution and delivery of the Contracts, the issue of the Bonds and Commercial Papers, the carrying out of the other transactions contemplated by the Contracts and compliance with the terms of the Contracts, the Bonds and the Commercial Papers, 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 and Commercial Papers which is material in the context of the issue and offering of the Bonds and Commercial Papers (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 and Commercial Papers, is necessary to enable potential Holders 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 and Commercial Papers); (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 and Commercial Papers the omission of which would, in the context of the issue and offering of the Bonds and Commercial Papers, 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 authorisations; (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 authorisation; (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 and Commercial Papers 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, authorisations, 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 fulfilment 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 and Commercial Papers or any portion thereof remains outstanding, and so long as any Bonds and Commercial Papers remains unissued under the Programme, with reference to the facts and circumstances existing from time to time.

10. Covenants

The Bank covenants that during the term of the Bonds and/or Commercial Papers and until payment in full and performance of all its obligations thereunder, the Bank shall act as follows and shall perform the following obligations:

- (a) The Bank shall pay all amounts due under the Bonds and Commercial Papers at the times and in the manner specified in, and perform all its obligations, undertakings, and covenants under the Bonds and Commercial Papers;
- (b) The Bank shall ensure that it will continue to have the legal and juridical personality to maintain the Bonds and Commercial Papers until Maturity Date or full payment of the claims under the Bonds and Commercial Papers, 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 Holder 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 Commercial Papers 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 Holders through the Trustee of: (i) any request by any government agency for any information related to the Bonds or Commercial Papers; and (ii) the issuance by any governmental agency of any cease-and-desist order suspending the distribution or sale of the Bonds and Commercial Papers 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 and Commercial Papers 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, Commercial Papers and the Contracts; provided that if the updates and information requested are not public documents, such Holder 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, Commercial Papers 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 and Commercial Papers, 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 and Commercial Papers or any portion thereof remain outstanding, unless the Majority Bondholders and Majority CP Holders 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 and/or Commercial Papers 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 total assets 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, Commercial Papers 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 and/or Commercial Papers 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 and/or Commercial Papers 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/or Commercial Papers and pay any amount outstanding on the Bonds and/or Commercial Papers;
- (e) Any governmental consent, license, approval, authorization, declaration, filing or registration which is granted or

required in connection with the Bonds and/or Commercial Papers 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 and/or Commercial Papers;
- (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 Holders written notice of such default known to it unless the same shall have been cured before the giving of such notice; provided that, in the case of payment default under Section 10 above, the Trustee shall immediately notify the Holders upon the occurrence of such payment default. The written notice required to be given to the Holders hereunder shall be published in a newspaper of general circulation in Metro Manila for two (2) consecutive days, further indicating in the published notice that the Holders or their duly authorized representatives may obtain any information relating to such occurrence of an Event of Default at the principal office of the Trustee upon presentation of sufficient and acceptable identification.

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 and Majority CP Holders, 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 and/or Commercial Papers, 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 and/or Commercial Papers, 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 and/or Commercial Papers, 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 Holders, through the Paying Agent, the whole amount which shall then have become due and payable on all such outstanding Bonds and/or Commercial Papers with interest at the rate borne by the Bonds and/or Commercial Papers 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 and/or Commercial Papers 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 Holders shall be cumulative and not exclusive and shall not be so construed as to deprive the Trustee or the Holders 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 Holders 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 Holders may be exercised from time to time and as often as may be necessary or expedient.

20. Ability to File Suit

No Holder 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 Holder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof and the related request for the Trustee to convene a meeting of the Holders to take up matters related to their rights and interests under the Bonds and/or Commercial Papers, as applicable; (ii) the Majority Bondholders and Majority CP Holders shall have decided and made the written request upon the Trustee to institute such action, suit or proceeding in the latter’s name; (iii) the Trustee for 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 and CP Holders, it being understood and intended, and being expressly covenanted by every Holder with every other Holder and the Trustee, that no one or more Holders shall have any right in any manner 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 and/or Commercial Papers 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 Holders.

21. Waiver of Default by the Bondholders and CP Holders

The Majority Bondholders or the Majority CP Holders (as the case may be) 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 or Majority CP Holders (as the case may be) may decide for and on behalf of the Holders 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 Holders shall be restored to their former positions and rights hereunder; provided however that, no such waiver shall extend to any subsequent or other default or impair any right consequent thereto. Any such waiver by the Majority Bondholders and/or CP Holders shall be conclusive and binding upon all Holders and upon all future holders and owners thereof, irrespective of whether or not any notation of such waiver is made upon the certificate representing the Bonds and/or Commercial Papers.

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:	Metropolitan Bank & Trust Company - ₱154.5 Billion Programme
Address:	Development Bank of the Philippines Sen. Gil J. Puyat Avenue corner Makati Avenue, Makati City Philippines
Telephone:	(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 Holders

The Trustee shall send all notices to Holders to their mailing address as set forth in the Registry. Except where a specific mode of notification is provided for herein, notices to Holders shall be sufficient when made in writing and transmitted in any one of the following modes: (i) registered mail; (ii) surface mail; (iii) by one-time publication in a newspaper of general circulation in the Philippines; or (iv) personal delivery to the address of record in the Registry of Bondholders. The Trustee shall rely on the Registry in determining the Bondholders and/or CP Holders entitled to notice. All notices shall be deemed to have been received (i) ten (10) days from posting if transmitted by registered mail; (ii) fifteen (15) days from mailing, if transmitted by surface mail; (iii) on date of publication or (iv) 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 Holders. No liability to the Bank, the Paying Agent or the Holders 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 Holders 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 Holders, and to whom the Holders 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 Holders 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 Holder who has been a *bona fide* holder for at least six months (the "*Bona Fide* Holder") may, for and on behalf of the Holders, petition any such court for the appointment of a successor. Such court may thereupon after notice, if any, as it may deem proper, appoint a successor trustee.
- (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* Holder 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 and Majority CP Holders, may at any time remove the Trustee for cause, and appoint a successor trustee, by the delivery to the Trustee so removed, to the successor trustee and to the Bank of the required evidence of the action in that regard taken by the Majority Bondholders and Majority CP Holders.
- (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 Holders in writing of the succession of such trustee to the trusteeship. If the Bank fails to notify the Holders within 10 days after the acceptance of appointment by the trustee, the latter shall cause the Holders to be notified at the expense of the Bank.

26. Reports to the Holders

- (a) The Trustee shall submit to the Holders on or before February 28 of each year from the relevant Issue Date until full payment of the Bonds and/or Commercial Papers 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 CP Holders, 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 Holders 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 Holders on the property or funds held or collected by the Paying Agent with respect to the character, amount and the circumstances surrounding the making of such advance; provided that, such advance remaining unpaid amounts to at least ten percent (10%) of the aggregate outstanding principal amount of the Bonds and/or Commercial Papers 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 and CP Holders

A meeting of the Bondholders and CP Holders 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 and CP Holders of any specified aggregate principal amount of Bonds and Commercial Papers under any other provisions of the Trust Indenture or under the law and such other matters related to the rights and interests of the Holders under the Bonds and Commercial Papers.

(a) *Notice of Meetings*

The Trustee may at any time call a meeting of the Holders, or the Holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of Bonds and Commercial Papers may direct in writing the Trustee to call a meeting of the Holders, to take up any allowed action, to be held at such time and at such place as the Trustee shall determine. Notice of every meeting of the Holders, setting forth the time and the place of such meeting and the purpose of such meeting in reasonable detail, shall be sent by the Trustee to the Bank and to each of the registered Holders not earlier than forty-five (45) days nor later than fifteen (15) days prior to the date fixed for the meeting. Each of such notices shall be published in a newspaper of general circulation as provided in the Trust 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 Holders of at least twenty five percent (25%) of the aggregate outstanding principal amount of the Bonds and Commercial Papers shall have requested the Trustee to call a meeting of the Holders by written request setting forth in reasonable detail the purpose of the meeting, and the Trustee shall not have mailed and published, in accordance with the notice requirements, the notice of such meeting, then the Bank or the Holders in the amount above specified may determine the time and place for such meeting and may call such meeting by mailing and publishing notice thereof.

(c) *Quorum*

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

(d) *Procedure for Meetings*

- (i) The Trustee shall preside at all the meetings of the Holders, unless the meeting shall have been called by the Bank or by the Holders, in which case the Bank or the Holders calling the meeting, as the case may be, shall in like manner move for the election of the chairman and secretary of the meeting.
- (ii) Any meeting of the Holders 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 Holders, a person shall be a registered holder of one (1) or more Bonds and/or Commercial Papers or a person appointed by an instrument in writing as proxy by any such holder as of the date of the said meeting. Holders 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 Holders 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 Holders in a meeting duly called for the purpose shall be decided or approved by the affirmative vote of the Majority Bondholders and Majority CP Holders 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 or CP Holders which has been duly approved with the required number of votes of the Bondholders and CP Holders as provided in the Trust Indenture shall be binding upon all the Bondholders, CP Holders 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 and/or Commercial Papers, only the concerned Bondholders or CP Holders 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 Holders*

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 Holders, in regard to proof of ownership of the Bonds and/or Commercial Papers, the appointment of proxies by registered holders of the Bonds and/or Commercial Papers, 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, CP Holders 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 Holders and provided further that all Holders are notified of such amendment or waiver.

The Bank and the Trustee may amend these General Terms and Conditions without notice to every Holder, but with the written consent of the Majority Bondholders and Majority CP Holders (including consents obtained in connection with a

tender offer or exchange offer for the Bonds and/or Commercial Papers). However, without the consent of each Holder affected thereby, an amendment may not:

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

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

29. Evidence Supporting the Action of the Holders

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

30. Non-Reliance

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

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth the indebtedness and capitalization of the Group as of 31 December 2025. This table should be read in conjunction with the Group's financial statements as of 31 December 2025 and the notes presented elsewhere herein.

	As of 31 December 2025
	Audited
	(₱ millions)
Due within one year	
Deposit liabilities	2,641,261
Interbank borrowings, bills payable and other liabilities	630,652
Bonds Payable.....	48,373
Total short-term liabilities.....	3,320,286
Due beyond one year	
Deposit liabilities	19,695
Interbank borrowings, bills payable and other liabilities	42,529
Bonds Payable.....	65,640
Total long-term liabilities.....	127,864
Total liabilities	3,448,150
Capital Funds	
Common stock	89,948
Capital paid in excess of par value	85,252
Surplus reserves	3,037
Surplus	257,469
Other equity adjustments.....	(14,001)
Non-controlling interest	10,462
Total capital funds.....	432,167
Total capitalization and indebtedness	3,880,317
Capital Ratios⁽¹⁾	
Common Equity Tier 1 ratio	16.1%
Tier 1 capital ratio	16.1%
Total capital ratio	16.8%

Notes:

¹Common Equity Tier 1, Tier 1 and total capital ratios are calculated based on Basel III rules.

Except as described above, there has been no significant change in the indebtedness or capitalization of the Group since 31 December 2025, other than the declaration of the regular cash dividends of ₱3.0 per share (payable on a semi-annual basis at ₱1.5 per share) and the special cash dividends of ₱2.0 per share that were approved by the Bank's Board on 18 February 2026. The first semi-annual payment of regular cash dividends of ₱3.0 per share and the special cash dividends of ₱2.0 per share are to be paid on 26 March 2026 to all stockholders of record as of 9 March 2026. The record and payment dates of the second tranche will be determined during the meeting of the Board's Regular meeting in August 2026.

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OVERVIEW

Metropolitan Bank & Trust Company (the **Bank**) is a universal bank based in the Philippines which provides, through itself and other members of the Group, a wide range of banking and other financial products and services including corporate, commercial and consumer banking products and services as well as credit card, investment banking and trust services. As of 31 December 2025, the Group was the second largest private universal Philippine bank by asset size, with total assets of ₱3.9 trillion and capital of ₱432.2 billion and had the highest Tier 1 capital ratio and total capital ratio amongst the three largest private universal Philippine banks. The Group was also among the top three Philippine banks in terms of net loans and receivables with an outstanding balance of ₱2.0 trillion based on publicly available data from the BSP. The Group was among the top three largest Philippine banks by total deposits with ₱2.7 trillion as of 31 December 2025 based on publicly available data from the BSP, and, according to the BSP, also controlled 13.0% of the Philippine banking system's total asset base as of 31 December 2025.

The Group offers corporate and commercial banking products and services throughout the Philippines. The Group's corporate banking services consist of banking services provided to corporate customers (generally recognized by the Bank as the top 1,000 Philippine companies, multinational companies and Government-owned and controlled companies). The Group's commercial banking services consist of banking services provided to mid-market clients and SMEs. As of 31 December 2023, 2024 and 2025, corporate and commercial loans represented 78.4%, 78.9% and 77.9% of the Group's total loan portfolio, respectively.

The Group, through the Bank and the Philippine Savings Bank (**PSBank**) (an 88.4%-owned subsidiary of the Bank as of 31 December 2025), is also a leading provider of consumer banking products and services in the Philippines. Through its network of branches, the Group offers a wide range of deposit, credit card, mortgage and vehicle finance products and services, targeted primarily at its existing customers. The Bank offers a variety of products to high net worth individuals, which is a growing demographic group in the Philippines.

The Group offers investment, trust and private banking services, leasing, insurance, securities brokering and investment banking services through the Bank and its subsidiaries. For further information, see "*Description of the Bank – Subsidiaries and Associates*".

As of 31 December 2025, the Group had a total of 967 branches in the Philippines, of which 717 were operated by the Bank and 250 were operated by PSBank. The Group had a total of 2,242 ATMs as of 31 December 2025. The Bank's international operations consist of branches in Taipei, New York, Tokyo, Seoul and Osaka, together with representative offices in Beijing and Hong Kong. The Bank also has an extensive network of remittance centers in Asia, Europe and North America which has enabled it to become a leading provider of remittance services to OFWs. As of 31 December 2023, 2024 and 2025, the Group's total assets amounted to ₱3.1 trillion, ₱3.5 trillion and ₱3.9 trillion, respectively, while equity attributable to equity holders of the Bank amounted to ₱356.7 billion, ₱385.5 billion and ₱421.7 billion, respectively. Consolidated net income attributable to equity holders of the Bank for the years ended 31 December 2023, 2024 and 2025 amounted to ₱42.2 billion, ₱48.1 billion and ₱49.7 billion, respectively.

The Bank has been listed on the PSE since February 1981 after its initial public offering. The Bank's market capitalization as of 03 February 2026 was ₱316 billion. The Bank was founded by the late Dr. George S.K. Ty. GT Capital Holdings, Inc. (**GT Capital**) is the single largest shareholder of the Bank, owning 39.84% of the Bank's outstanding shares as of 31 December 2025. As of 31 December 2023, 2024 and 2025 the Group's Tier 1 and total capital adequacy ratios as reported to the BSP were 17.4%, 15.9% and 16.1%, and 18.3%, 16.7% and 16.8%, respectively.

Over the years, the Bank has consistently received accolades from local and international award-giving bodies. In 2025, the Bank was named Best Bank for Corporate Social Responsibility in the Philippines by Euromoney for a second consecutive year. The Bank is the first Philippine financial institution to be recognized as the Strongest Bank in the Philippines by The Asian Banker, winning five years in a row during 2021, 2022, 2023, 2024 and 2025.

Each of the Bank's product segments is among the leaders in the Philippine banking industry. In retail banking, the Group has the second largest car financing portfolio and the third largest housing portfolio based on internal and analyst estimates. In the credit cards business, the Bank ranks third in terms of receivables and has the fourth largest number of credit cards in force, based on the December 2025 report of the Credit Card Association of the Philippines, with 1.6 million cards in force. The Group has the third largest trust business with assets under management (**AUM**) of ₱955.8 billion based on publicly available reports submitted by Philippine banks to the BSP, as at 31 December 2025. In the trust banking space, the Bank was awarded at the Citywire ASEAN Awards 2025, the group was honored with Best CIO Office, Best Investment Services, and Top 25 ASEAN Selector in the Philippines, affirming the Group's robust investment governance, disciplined portfolio management, and consistent performance across market cycles. In addition, the Group is also a leading provider of trade finance services to large corporates and middle market companies and one of the leading providers of remittance services.

First Metro Investment Corporation (**First Metro**) is a leading investment bank in the Philippines with sixty-two years of service in the development of the country's capital markets. It is 99.3% owned by Metropolitan Bank & Trust Company and is the

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investment banking arm of the Metrobank Group, one of the largest financial conglomerates in the country. First Metro is licensed by the Securities & Exchange Commission to engage in underwriting and distribution of securities to the public. First Metro offers a wide range of services, from debt and equity underwriting to loan syndication, acquisition and project finance, and financial advisory. First Metro brings proven expertise in deal origination, structuring, and execution. In 2025, First Metro participated in capital market transactions which the Bank believes were significant and impactful deals that demonstrate the depth and breadth of its knowledge and understanding of the capital markets. First Metro continues to be a leader in the domestic bond market as it was one of the Joint Issue Managers, and Joint Lead Underwriters and Joint Bookrunners of the maiden bond issuance of Metro Pacific Tollways Corporation. First Metro also received multiple awards from international and local institutions in 2025 such as Best DCM House Philippines – *FinanceAsia Awards*, Best Blue Bond: Maynilad Water Services, Inc.’s P15 billion Blue Bonds – *The Asset Triple A Sustainable Finance Awards 2025*, and Sustainability-Linked Bond of the Year : Ayala Land Sustainability-Linked Bond (Tranche 2) – *Asian & Finance Corporate & Investment Banking Awards 2025*, to name a few. First Metro’s stockbrokerage arm, First Metro Securities Brokerage Corporation (**First Metro Securities**), was recognized as the Best Broker – Domestic by FinanceAsia for the second consecutive year, affirming its leadership in brokerage services and market expertise. First Metro’s total assets stood at ₱22.8 billion as of 31 December 2025, compared with ₱20.7 billion and ₱32.2 billion as of 31 December 2024 and 31 December 2023, respectively. First Metro’s capital level as of 31 December 2025 was ₱15.0 billion, representing a 4.5% decrease from ₱15.7 billion as of 31 December 2024. This resulted in a risk-based capital adequacy ratio (RBCA) of 1,538.7% and a return on equity of 13.2% for 2025. As of 31 December 2025, First Metro had a total of 66 employees.

The Bank’s subsidiary, PSBank, is a leading savings bank in the Philippines that aims to be the country’s consumer and retail bank of choice. The Bank cooperates with PSBank to help ensure wide market coverage for the Group. Beyond financial performance, PSBank continued to invest in initiatives that enhance customer experience, strengthen workforce capability, and advance community impact. In 2025, these efforts earned multiple recognitions, including a Silver Anvil Award for Public Relations Multimedia Tool, Bronze Stevie Award for Innovation in Annual Reports and Best Disbursement Partner for the Thrift Bank Category at the SSS Balikatan ng Bayan Awards. The Bank also received honors from the Marketing Excellence Awards, HR Excellence Awards Philippines, and Philippine Quill Awards, as well as the Golden Arrow Award from the Institute of Corporate Directors for strong corporate governance practices.

The Bank believes that its strong position across diverse product segments allows the Group to cross-promote each segment to its customers to increase revenues and gives customers the flexibility to invest in new products and services. The Bank believes that the Group’s leading position across a wide range of product categories allows it to serve as a “one-stop” financial center for its customers.

HISTORY

The Bank was established in 1962 by a group of Filipino businessmen led by its late Group Chairman Emeritus, Dr. George S. K. Ty, principally to provide financial services to the Filipino-Chinese community. The Bank has continuously sought to diversify its business and now provides a broad range of banking products and services to all sectors of the Philippine economy through an extensive domestic branch network and internationally through a network of foreign branches and representative offices.

The Bank was one of the first banks in the Philippines to gain a universal banking license, which was granted by the BSP in August 1981. This license allows the Bank to engage in finance-related businesses such as savings and consumer banking, credit card and leasing products and services as well as “non-allied undertakings”.

Since the establishment of its first office in Manila, the Bank’s operations in the Philippines, and in particular its domestic branch network, have expanded organically and through a series of acquisitions and mergers, including its acquisition of PSBank in 1983. Increased expansion of the Bank’s domestic branch network occurred following a change in 1993 to the BSP’s policy of restricting the opening of additional bank branches in the Philippines and the liberalization of the Philippine banking industry.

The Bank’s international network of foreign branches and representative offices has grown since the opening of its first international branch in Taipei in 1975. Such growth was principally in response to the increased volume of remittances by OFWs. As a result of the growth in the Bank’s international network, the Bank has been able to augment its foreign exchange sources during periods of political instability in the Philippines in which access to foreign exchange has been otherwise limited.

RECENT DEVELOPMENTS

Dividend Policy

On 18 February 2026, the Bank’s Board of Directors approved a regular dividend of ₱3.0 per share for the 2026, payable on a semi-annual basis of ₱1.5 per share. The Board also declared a special cash dividend of ₱2.0 per share. The first tranche of the regular cash dividend of ₱1.5 per share and special cash dividend of ₱2.0 per share, are payable on 26 March 2026 to all shareholders of record as of 9 March 2026. The exact date of the second tranche will be determined during the Board’s regular meeting in August 2026.

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On 15 January 2026, PSBank declared a 7.5% regular dividend amounting to ₱320.1 million (₱0.75 per share) for the fourth quarter of 2025, which was paid on 16 February 2026 to all stockholders of record as of 30 January 2026.

Issuance and Redemption of Notes

The US\$500.0 million senior unsecured notes issued by the Bank on 15 July 2020 which bear an interest rate of 2.125% per annum matured on 15 January 2026.

On 6 March 2024, the Bank issued a dual tranche, 5-year and 10-year U.S. dollar denominated notes, with an interest rate of 5.375% and 5.500%, respectively. These bonds will mature on 6 March 2029 and 6 March 2034, respectively.

On 4 June 2021, the Bank issued ₱19.0 billion of bonds with an interest rate of 3.60%. These bonds will mature on 4 September 2026.

COMPETITIVE STRENGTHS

The Group believes that it has certain key strengths that provide competitive advantages over many of its competitors, including, among others:

Top three player in the Philippines

As of 31 December 2025, the Group was the second largest private universal Philippine bank by asset size, with total assets of ₱3.9 trillion and capital of ₱432.2 billion and had the highest Tier 1 capital ratio and total capital ratio amongst the three largest private universal Philippine banks. Based on data from the BSP, the Group also controlled 13.0% of the Philippine banking system's total asset base as at 31 December 2025.

As of 31 December 2025 and based on publicly available data, the Group was also among the top three largest listed Philippine banks in terms of net loans and receivables with an outstanding balance of ₱2.0 trillion, and also among the top three largest listed Philippine banks in terms of total deposits with ₱2.7 trillion of total deposits. The Bank believes its financial strength contributes to its strong market position and gives the Group flexibility to invest in new products, services, branches, information technology and other infrastructure required for the execution of its growth strategy.

Metrobank also derives significant synergies from the diversified Group and affiliated franchises such as First Metro Investment Corporation, one of the largest Philippine investment banks in terms of assets; Philippine Savings Bank the largest savings bank in terms of assets with ₱237.3 billion as of 31 December 2025; and AXA Philippines, an associate of the Bank, which is among the leading life insurance providers in the country with a significant market share. The Bank's scale of operations, together with the Group's financial resources, allows the Group to cross-sell a wide range of financial products and services to its existing customers, as well as to potentially capture a broader range of new clients.

Extensive and strategically located domestic ATM and branch network backed by a strong sales force

The Bank believes its branch network is strategically located, both in Metro Manila and outside of Metro Manila, to take advantage of the economic growth potential throughout the country.

The Group, through the Bank and PSBank, operates one of the largest branch networks in the Philippines with a total of 967 domestic branches as of 31 December 2025. 532 of such branches are in the countryside, representing 55.0% of the Group's total network, and are strategically located in high growth areas outside the greater Metro Manila area.

Complementing the Group's extensive domestic branch network is the ATM network, which is the third largest in the Philippines, according to internal estimates, with 2,242 ATMs as of 31 December 2025. The Bank believes that its extensive domestic ATM and branch network provides for substantial coverage across the archipelago and allows it to tap into emerging high growth potential areas to diversify its customer base.

Middle-market, SMEs and consumer segments as key drivers of growth

The Group maintains a balanced loan portfolio providing corporate and commercial banking products and services to a significant number of large and middle market corporations, as well as to SMEs, through a multi-channel distribution system, including its extensive branch network. Further, the Bank and PSBank have focused on expanding their consumer banking business, principally through a directed marketing strategy, using their extensive domestic branch network and by direct sales channels.

The Group had enjoyed a healthy loan portfolio growth over the past few years, recording a three-year compound annual growth rate of 8.3% for its total loan portfolio from 31 December 2023 to 31 December 2025. The Group's loan portfolio consists mainly

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of corporate and commercial loans which comprised 78.4%, 78.9% and 77.9% of the Group's total loan portfolio as of 31 December 2023, 2024 and 2025, respectively. As of 31 December 2025, the Group's loan portfolio was mainly concentrated in real estate, wholesale and retail trade, repair of vehicles and motorcycles, manufacturing, financial and insurance activities and electricity, gas, steam, and air conditioning supply, comprising 18.3%, 13.2%, 8.9%, 8.6%, and 7.0%, respectively, of the Group's total loan portfolio.

Given the attractiveness of the SME and middle-market segment, the Group had increased its growth and achieved a compound annual growth rate of 8.1% from 31 December 2023 to 31 December 2025 in its loan portfolio for such segment. The SME and middle-market segment are characterized by its high profitability and relatively low risk, coupled with strong customer loyalty and cross-selling opportunities that would present further upside for the Group.

Based on the latest industry data from the BSP on the Philippine banking system, the Group had a 15% market share of aggregate auto, mortgage and credit card loans in the Philippine banking industry as of 30 September 2025. The Group reported mixed results in the residential mortgage, auto finance and credit card sectors of the Group's consumer loan portfolio, with an annual change of 7.3%, 8.7% and 20.9%, respectively, from 31 December 2024 to 31 December 2025. The Group maintains a balanced and diversified consumer loan portfolio, with home mortgage loans, auto loans, credit cards, and others, comprising 23.8%, 27.9%, 47.4%, and 0.9%, respectively, of the Group's total consumer loan portfolio as of 31 December 2025.

Industry leading margins with operating leverage and a well-balanced loan portfolio

The Group has maintained healthy operating income levels (net interest income, other operating income and share in net income of associates and a joint venture), with ₱134.3 billion, ₱144.1 billion, and ₱158.1 billion for the years ended 31 December 2023, 2024 and 2025, respectively. The Group's operating income is underpinned by the Group's strong net interest income base, which accounted for 78.1%, 79.2%, and 78.8% of its total operating income for the years ended 31 December 2023, 2024 and 2025, respectively.

The Group's balanced mix of interest earning assets and low cost of funding have also enabled the Group to maintain a net interest margin of 3.6% in 2025, a slight drop from 3.9% in 2023 and 3.8% in 2024.

The Group believes that it has a low cost of funding as compared to many of its competitors. Through its extensive and strategically located branch network, the Group is able to attract a large number of low-cost depositors. From 31 December 2024 to 31 December 2025, total deposits of the Group increased from ₱2.6 trillion to ₱2.7 trillion, representing an annual growth rate of 3.4%. In addition, the Group believes that its strong brand name and perceived financial strength allow it to attract higher levels of deposits at lower rates than many of its competitors. As of 31 December 2025, saving and demand deposits, which typically represent the lowest cost of funding for a bank, increased to 59.2% of the Group's total deposit base, compared to 57.8% as of 31 December 2024, partly due to the Bank's increased efforts to optimize cost-of-deposits. The Group's savings and demand deposits increased by 5.9% over the same period. Because the Group's low-cost deposits are primarily comprised of working capital accounts of its commercial clients as well as retail deposits, the Group believes that it will be able to maintain its low funding cost despite a potential increase in interest rates or an increase in competitive pressure.

Similarly, the Group believes based on public filings of Philippine banks, that it maintains relatively comparable asset yields compared to its peers mainly due to the composition of its loan portfolio as well as its asset mix. As of 31 December 2025, the Group's net loans and receivables, amounted to ₱2.0 trillion, representing 50.9% of total assets. Of the Group's total outstanding loans as of 31 December 2025, corporate loans, commercial loans and consumer loans represented 70.8%, 7.1% and 22.1%. Moreover, as of 31 December 2025, 42.4% of the Group's loan portfolio had a maturity of less than one year. As such, the Group believes that it is well-positioned to capitalize on a rise in interest rates by repricing its loan portfolio, which would further contribute to an improvement in the Group's net interest income.

Superior asset quality

The Group believes it has benefitted from its prudent credit and risk management framework and policies as well as conservative lending practices, as it continues to maintain its high asset quality with NPL ratios of 1.7%, 1.4% and 1.7% as of 31 December 2023, 2024 and 2025, respectively. The Group's NPL ratio as of 31 December 2025 was the lowest in its peer group, based on publicly filed financial statements of Philippine banks. Given its high NPL coverage ratio of 140.8% as of 31 December 2025, the Group believes that its NPLs have been maintained at manageable levels of ₱26.2 billion, ₱26.0 billion and ₱34.1 billion as of 31 December 2023, 2024 and 2025, respectively.

Strong and experienced Board of Directors and management team

The Group has assembled a strong management team. The Bank's senior executive officers have, on average, over 30 years of experience in the banking sector.

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As of 31 December 2025, the Bank's Board of Directors have deep industry and global expertise, as well as professional experience in finance, investments, technology, marketing, anti-money laundering, internal controls, accounting credit and sustainability, ensuring a well-rounded understanding of the financial sector. Meanwhile its other top executives have a proven track record in banking, finance and in other industries given their experience with leading Philippine corporations.

In addition, the Board of Directors has a strong independent element, with five of its 11 members being independent Directors, and only two Directors related to the Ty Family. The Bank believes that the extensive experience and financial acumen of its management provide the Group with a significant competitive advantage.

STRATEGIES

The Bank's medium-term strategy remains anchored on sustaining and expanding its market relevance through continuous improvement in customer experience, operational efficiency and people development. The Bank intends to focus on enhancing customer experience by continuously undertaking investments and enhancements in key customer touch points, which include face-to-face through branches and front liners, as well as e-channels such as ATMs, phone banking, online and mobile banking. The Bank also intends to continue its efforts in defining customer satisfaction standards and developing new capabilities in complaints resolution. To achieve these goals, the Bank intends to continue allocating resources to improve process and IT capabilities, leadership development, and technical and people management skills. Key milestones under each pillar are set forth below:

Growth

As business activities continue to increase, the Bank aspires to be the preferred bank of its chosen customers and further its strong market share by evolving its organization to be customer-obsessed, agile and innovative. Part of the Bank's medium-term plan is to maintain dominance in the corporate and commercial segments and to grow its retail customer base. The Bank endeavors to expand its reach through new distribution channels to effectively target retail customer, through marketing campaigns, and through putting up new branches in main metropolitan and developing areas in the countryside to service new markets and contribute to nation building.

To acquire new customers, the Bank aims to elevate customer experience by offering relevant products and services with distinct features and strong value propositions. New products will be introduced to cater to new and existing customers and to tap select emerging markets. Existing products will be reviewed for relevance and will be enhanced or phased out as needed. The Bank will continue to apply its pricing strategy framework to its loan products to provide affordable yet competitive rates to its customers. The Bank also intends to continuously review and update its credit policy to be able to serve potential new target markets without compromising on credit quality.

To deepen its relationship with existing customers, as part of its portfolio management, the Bank will focus on its data mining program which is anchored on a risk assessment framework to identify a client's network and target segments to be able to provide meaningful offers such as the Bank's "Good Repeat Client Program" initiatives. The Bank will also apply a targeted approach using a pre-defined selection criteria to identify ideal and suitable customers from its existing pool of borrowers and depositors to cross-sell products specially designed to enhance the Bank's customer experience.

Customer experience

The Bank recognizes that exceptional customer experience is pivotal to retaining and expanding its market share. Part of the Bank's drive to enhance customer experience is through prompt resolution of customer requests and complaints and through valuing customer feedback. Aligned with this, Metrobank previously invested in a Customer Feedback Management platform, that is now being utilized to unlock key customer insights and reveal what matters most in delivering service excellence. Customer insights gathered will help the Bank understand and anticipate customer needs, improve the offering of its products and services, and develop initiatives that will drive exceptional customer experience. The Bank remains steadfast in properly serving its clients by enhancing its digital platforms, migrating relevant branch services to digital channels, and digitalizing key customer journeys for an improved customer experience.

Further, Metrobank remains committed to its brand promise of keeping current and future clients in good hands by focusing on what customers value most—a bank they can trust and grow with. To fulfill this, the Bank upholds three core promises that will inspire customers to develop love and pride for the brand:

Education: Educate to make informed decisions in selecting products and services

Experiences: Build strong partnerships and deliver delightful experiences

Community Building: Contribute to the progress of communities and nation building

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These attributes collectively reinforce Metrobank's brand of service, *malasakit*—a brand that truly knows and empowers its customers.

Achieving exceptional customer experience is the collective and shared responsibility of every Metrobanker. The Bank's Customer Governance Committee ensures that customer protection standards are always understood and observed across the entire organization. Moreover, as ambassadors of the Metrobank brand, all employees undertake relevant courses on the Bank's Customer Protection Policy in order to uphold customer experience and complaints handling standards, and continuously build a culture of excellence across the Bank.

Operational Efficiency

As Metrobank strives to provide better customer experience, continuous assessment of its processes across all stages of the customer journey is a core priority. The Bank will evolve, optimize, and streamline its processes with the use of process re-engineering, robotics and automation to eliminate duplicate functions and reduce turn-around-time, resulting in increased productivity and better cost management. In the pipeline are series of initiatives to offload the administrative or non-customer facing functions from the branches, enabling frontliners to transform these customer touch points into more meaningful conversations, such as product or investment advisory instead of mere transactional servicing. For functions that cannot be offloaded, Metrobank will leverage technology to identify major pain points, analyze root causes, and implement innovative solutions—reinforcing its commitment to delivering a seamless, efficient, and value-driven customer experience.

The Bank's subsidiaries also support the goal of achieving group-wide enhanced operational efficiency. FMIC is continuously rationalizing duplicate functions in its backroom operations and governance units, streamlining distribution across business platforms, and standardizing processes for better resource optimization and cost management. OMLF is streamlining and re-evaluating its branch network, leading to consolidation of certain branches in strategic locations to achieve cost efficiency. Meanwhile, PSBank will integrate the use of artificial intelligence and machine learning tools in the workplace, allowing it to drive smarter decision-making, automate processes, and properly allocate its resources.

Complementing these operational efficiency activities is the Bank's active campaign to shift its retail and corporate clients towards digital banking. This provides clients with the convenience and ease of self-service banking anytime, anywhere, via secured online and mobile platforms.

The Bank is cognizant that the evolving digital and operating environment calls for robust IT infrastructure. Thus, the Bank and its subsidiaries will continuously allocate substantial investments to IT projects and improve their data management and analytics to support the digital transformation initiatives suited to the growing needs and preferences of their clients.

Digital Initiatives

Metrobank recognizes the importance of evolving the way it engages with customers. The Bank's drive towards digitalization aims to bring its customers from a multi-channel state where clients are engaged across various touch-points, towards a mobile-enabled, omni-channel experience, providing customers with convenient self-service options. The Bank continues to enhance and upgrade its digital platforms by migrating relevant branch services to digital channels.

The Bank has already launched various initiatives in the digital space and will continue to do so to significantly simplify the process of providing services to its clients. For consumer loans, Metrobank already digitalized the onboarding and servicing process for credit cards and personal loans, while development of an online onboarding platform for both car and home loans is already underway. Moreover, the recent launch of the Bank's e-Savings Account has been pivotal in advancing digital onboarding, enabling clients to open a deposit account anytime, anywhere without visiting a branch. On mobile banking, the Bank launched several performance improvements to Metrobank Online App (MBOA) to accommodate the growing user base and enable more servicing features. For instance, the updated MBOA now allows clients to perform credit card functions such as activating a credit card, availing of an installment loan, sending money, and reporting a lost card. Soon, MBOA will include home & car loan calculators as well as enabling pop-up notifications to clients who have been pre-qualified for the Bank's tactical loan programs. To remain competitive, the MBOA will be further improved to integrate loan details of enrolled clients, allowing customers to instantly access basic loan information—such as outstanding balance, monthly amortization, interest rate, payment history, maturity date, next due date, remaining term, and repricing date—providing customers with greater convenience and transparency. For corporate clients, the Bank will continuously enhance its Metrobank Business Online Solutions (MBOS) – a seamless and secure end-to-end cash management facility that assists in the servicing of various business banking transactions. Overall, the Bank endeavors to shift its sales channels to digital applications to reduce operational costs and streamline application processes.

Metrobank believes that to be truly customer-centric, the Bank should aspire to not only be the preferred bank of its customers, but also to be their financial adviser through the digital transformation of customer financial education. Under the "Lifebanking"

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initiative, Metrobank delivers personalized financial guidance—ranging from basic budgeting and credit management to advanced investment and estate planning—tailored to each customer’s specific life stages and goals. The Bank also provides online investment advisory through Metrobank Wealth Insights, which targets experienced investors, and Earnest, which is designed for beginner investors. Further, Metrobank’s investment banking arm, FMIC, provides clients with economic and market updates through its annual Economic & Capital Markets Briefing webinars, and its monthly online publication, The Market Call. Aside from financial education, the Bank also ensures that its clients are kept abreast of the latest fraud schemes through awareness campaigns, in order to equip and enable clients to combat fraud.

With the growing acceptance of digitalization among the Bank’s clients, Metrobank will continue to embed digital technologies in its processes to ensure efficient, safe, and best-in-class service and engagement for its clients.

Corporate Governance and Compliance and Risk Management

Sound and effective corporate governance enables Metrobank to build a culture of integrity and sustain its business amidst the rapidly evolving business environment. The Group maintains a steadfast lookout on compliance changes in the regulatory landscape and at the same time, strengthens its reign in compliance with regulatory requirements. For instance, the Bank’s Data Privacy Department, through the Privacy Impact Assessment (PIA), conducts end-to-end bank process reviews to identify potential issues on data privacy. The Bank uses the PIA results to implement required changes to align/standardize processes across all areas nationwide.

On sustainability, the Bank has anchored its mandate to help in nation-building. Therefore, the Bank shall also align with the national government in achieving its sustainability and climate objectives. The Bank is guided by local roadmaps such as the Philippine Development Plan, as well as international declarations such as the United Nations Sustainable Development Goals and the United Nations Global Compact Principles.

Metrobank has outlined its general approach to drive Sustainable Finance through the following principles: Do No Harm, Do Good, and Do More.

- **Do No Harm:** Rationalize exposure to identified closely monitored industries/sectors due to potential environmental and social impact by (1) planning for the gradual wind-down of exposure to activities that are environmentally and socially harmful and (2) aligning with government roadmaps towards exposure targets for industries and sectors with significant environmental and social impact.
- **Do Good:** Support transition finance for hard-to-abate sectors by (1) considering provision of transition finance to borrowers to support their sustainability journey and (2) identifying high environmental and social risk relationships that require enhanced due diligence and create a roadmap to reduce high-risk exposure.
- **Do More:** Accelerate the growth of the sustainable finance portfolio by (1) identifying and assessing opportunities for growth of a sustainable and climate-responsive loan book, and (2) where applicable, strengthen sustainable product offerings.

The Bank takes a precautionary approach to environmental and social risks in its lending, investment, and business operations. As a result, it has identified certain types of business relationships that are either directly prohibited by law, or where there is risk of significant harm to the wellbeing of the environment and of people. Contractors and suppliers are also expected to adhere to the same good governance standards and environmental regulations applied to the Bank’s lending and investment activities. The Bank will not knowingly engage businesses or operations that are directly involved in these sectors and activities. As a general principle, Metrobank strives to closely adhere to both internationally-recognized frameworks and standards, as well as national government directives and roadmaps related to energy transition, environmental protection, human rights and labor standards, ethical business practices against bribery, corruption, and extortion, nature and biodiversity preservation, technology and innovation, and corporate good governance.

In terms of risk management, the Group commits to continue enhancing its risk management framework by integrating best industry practices, as well as its understanding of risk based on the behavior of clients and counterparties. Metrobank continues to institutionalize risk awareness by aligning its risk management framework across the Group using a top-down approach. The Bank will continuously conduct risk awareness training and mentoring programs to ensure that every employee is equipped to identify and address potential risks, contributing to the overall resilience of the company. The Bank will also continue to exercise prudence in adopting risk mitigation and controls in areas such as AML/CFT, KYC, lending and deposit-taking, automation of client pre-transaction notifications, generation of billing statements, and the use of clients’ digital signatures.

The Bank and its subsidiaries recognize that exceptional risk management goes beyond regulatory compliance and must be part of the growth strategy and day-to-day business. With increasingly strict corporate governance requirements and compliance targets under the Basel III framework, the Group aims to promote continued focus on credit excellence and detailed attention to market

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and operational risks, and to all other material risks to which it is exposed. It shall continue to apply rigorous risk management practices that are supported by high quality information systems and risk management tools.

The Bank's Data Privacy Department, through its ongoing privacy impact assessment, conducts end-to-end bank process reviews to identify potential issues on data privacy, and implement required changes to align/standardize processes across all areas nationwide. The Bank and its subsidiaries are also aligning their products and services, as well as their operations, to the UN Sustainable Development Goals, to comply with various BSP regulations and ensure the viability and sustainability of the Group's business models.

People Development

Employees are central to the Bank's ability to deliver sustainable growth and long-term value. The Bank believes that an engaged and capable workforce is fundamental to customer satisfaction and business performance.

Accordingly, the Bank continues to invest in people development by strengthening its professional development programs and equipping employees with the skills, knowledge, and capabilities needed to perform effectively and adapt to evolving business demands. Ongoing learning initiatives include training and workshops in communication and presentation skills, critical and analytical thinking, product and project management, and leadership.

The Bank also establishes clear, work-related key result areas (KRAs) to guide employees in contributing meaningfully to organizational objectives and to enable effective performance monitoring. Employees who fall below performance expectations are supported through targeted intervention and development programs to help realign performance and career direction. In parallel, strong performance is recognized through a robust and equitable promotion and rewards framework.

Collectively, these initiatives strengthen the Bank's ability to attract, develop, and retain talent, while supporting succession planning and ensuring a resilient leadership and skills pipeline for the future.

Meaningful Banking

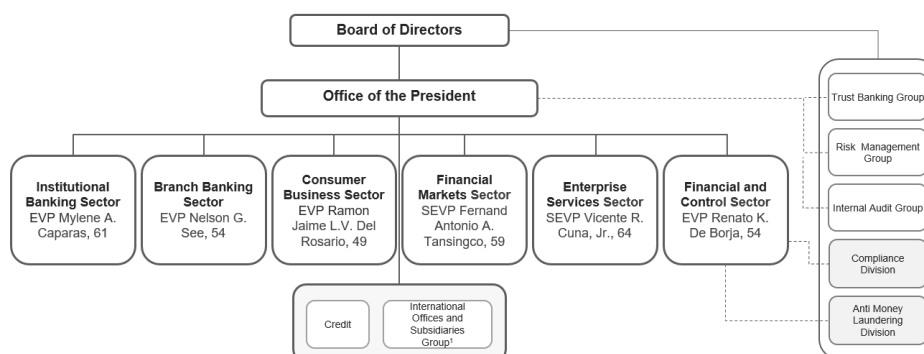
The Bank firmly focused on its growth and core business objectives anchored on delivering Meaningful Banking to its clients through relevant financial solutions, best-in-class customer experience, and secured and efficient operations. All these are guided by the Bank's mission, vision and values proving that "You're in Good Hands with Metrobank" benefits its Employees, Customers, and all its Stakeholders.

ORGANIZATIONAL AND OWNERSHIP STRUCTURE

The following chart sets forth an overview of the organizational structure of the Bank and its principal activities as of 31 December 2025:

Organizational Structure

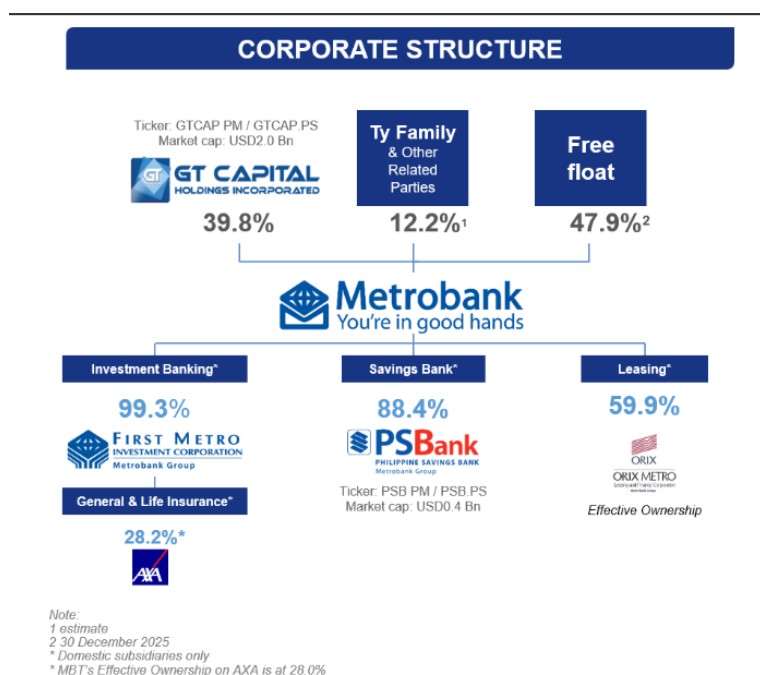
As of 31 December 2025



— Functional and administrative
- - - - - Administrative only, reports to the respective Board committees
¹ International Offices and Subsidiaries Group was renamed to Overseas Banking Group effective January 1, 2026

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The following chart sets forth an overview of the ownership structure of the Group as of 31 December 2025:



PRINCIPAL BUSINESS ACTIVITIES

The Group's principal areas of business are corporate banking, commercial and SME banking, consumer banking, treasury, investment banking, and branch banking. The following table sets out the amounts and percentages of revenue net of interest expense generated by each of these businesses in the years ended 31 December 2023, 2024, and 2025.

	For the years ended 31 December					
	2023		2024		2025	
	(₱ millions, except for %)					
Corporate, commercial and SME banking	12,703	9.5%	15,575	10.9%	12,668	8.1%
Consumer banking	27,230	20.4%	30,532	21.3%	33,762	21.5%
Branch banking	62,338	46.7%	65,829	45.9%	75,641	48.1%
Treasury	20,154	15.1%	22,467	15.7%	25,636	16.3%
Investment banking	198	0.1%	102	0.1%	456	0.3%
Others ⁽¹⁾	10,851	8.2%	8,829	6.1%	9,001	5.7%
Total Revenue⁽²⁾	133,474	100.0%	143,334	100.0%	157,164	100.0%

Notes:

- (1) Others include remittances, leasing, account financing and other support services.
- (2) Total revenue consists of net interest income before provision for credit losses, service charges, fees and commissions, trading and securities gain (loss) – net, foreign exchange gain (loss) – net, leasing and rental income, profit on assets sold or exchanged, income from trust operations, recovery on written-off assets and other miscellaneous income.

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In 2023, 2024, and 2025, 4.4%, 3.8% and 3.7%, respectively, of the Group's external net operating income was generated from its operations outside of the Philippines.

The Group's core businesses are its corporate and commercial banking and consumer banking businesses. The following table sets out the gross amounts and percentages of loans made by these businesses as of 31 December 2023, 2024 and 2025:

	As of 31 December					
	2023		2024		2025	
	(₱ millions, except for %)					
Corporate loans ⁽¹⁾	1,112,153	71.0%	1,317,551	71.9%	1,410,726	70.8%
Commercial loans ⁽²⁾	116,147	7.4%	127,660	7.0%	141,028	7.1%
Consumer loans	338,746	21.6%	387,630	21.1%	441,520	22.1%
Total Loans	1,567,046	100.0%	1,832,841	100.0%	1,993,274	100.0%

Notes:

(1) Loans made to large Philippine corporations, generally with total assets of more than ₱100 million.

(2) Loans made to micro industries and SMEs generally with total assets of ₱100 million and below.

Institutional Banking Sector

The Group provides corporate and commercial banking products and services to a significant number of large and middle market corporations and their subsidiaries, as well as to SMEs in the Philippines, through a multi-channel distribution system, including its extensive branch network. The Bank believes it is the leading bank in the Philippines for middle-market Filipino-Chinese businesses in terms of deposit-taking and lending.

In 2023, 2024 and 2025, the Group's corporate and commercial and SME banking business generated net interest income of ₱11.5 billion, ₱14.5 billion and ₱11.6 billion, respectively. As of 31 December 2023, 2024, and 2025, loans to corporate and commercial customers represented 78.4%, 78.9% and 77.9%, respectively, of the Group's total loan portfolio. Small-to-medium sized commercial loans (consisting of loans to Philippine companies other than large corporate loans) represented 7.4% as at 31 December 2023, 7.0% as at 31 December 2024, and 7.1% as of 31 December 2025, of the Group's total loan portfolio.

The Bank offers corporate and commercial banking customers a range of trade finance products and services including letters of credit (LCs), standby LCs, export advances and the discounting of commercial bills.

Corporate banking

The Group offers a wide range of products and services to its corporate customers, including term loans, revolving credit lines, foreign currency loans, infrastructure loans, trade finance and cash management products and services. The Bank also provides omnibus credit lines for its large corporate customers, allowing customers to use such lines for short-term loans, trade financing or other forms of credit.

As at 31 December 2023, 2024, and 2025, corporate loans of the Bank represented 71.0%, 71.9% and 70.8% of the Group's total loan portfolio, respectively. The Bank believes that more than half of the top 1,000 Philippine companies are currently customers of the Bank. Most of the Bank's corporate lending is typically undertaken on a non-syndicated basis, although the Bank does syndicate certain large transactions. Substantially all of the Bank's corporate clients are based in the Philippines and are engaged in transportation, storage, information and communication, manufacturing, real estate activities, wholesale and retail trade, and financial and insurance activities. Almost all of the Bank's corporate lending activities support projects and businesses in the Philippines. Facilities offered to corporate customers include both secured and unsecured loan products, with pricing based on the credit risks associated with the customer and their business. The majority of the Bank's current corporate lending consists of short-to medium-term loans. The Bank participates in syndicated loans and provides a limited amount of working capital funding by way of bills purchased and/or trade finance. The Bank also offers deposit taking and cash management services for its corporate clients.

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For the Bank's corporate banking business, the Bank has become increasingly market-focused and has established different sub-groups and desks to serve multinational companies, financial institutions, Japanese corporations, large corporates, the public sector and entrepreneurial firms.

The Bank offers both Peso-denominated and foreign currency (primarily U.S. Dollar-denominated) loans to its corporate customers. It is the Bank's policy to extend foreign currency loans only to those customers who have U.S. Dollar revenues or who are otherwise hedged. Most of the Bank's corporate loans are made on a floating rate basis.

The Bank has also obtained accreditation from various multinational export credit agencies and multilateral agencies to provide corporate clients with additional sources of medium- to long-term funding to finance imports of capital goods and equipment at fixed and floating rates for longer tenors. Accreditation is required for export credit agencies to determine creditworthiness of the participating bank, as well as lay out the rules of engagement for all parties to a loan transaction. The Bank may lend out the cash against an export credit agency guarantee, or the export credit agency may provide the funds for the Bank to lend out to the corporate customer. Export credit agency programs provide longer-term funding and address tenor mismatches between long-term loans and typical short-term funding.

The Bank has a customer-focused strategy and has recruited qualified professionals, including relationship managers and other management personnel, to strengthen its business development and portfolio management capabilities. The Bank aims to develop and maintain mutually beneficial relationships with institutional clients within its target market segments by providing wholesale banking services including, but not limited to, corporate finance, investment banking, cash management, trade services and structured finance. The Bank's relationship managers are responsible for business generation, new product development, customer satisfaction and maintenance of a high-quality loan portfolio. Relationship managers are also focused on selling the Group's wide range of financial products and services. The expanded line of non-lending services offered by the Group, including investment and trust banking services, are actively promoted by the Bank's relationship managers to existing and potential clients of the Bank. As of 31 December 2025, the Group's corporate loan portfolio was highly concentrated in real estate, activities of household and undifferentiated goods and services, wholesale and retail trade, repair of vehicles and motorcycles, electricity, gas, steam, and air conditioning supply, and financial and insurance activities. These five sectors comprised 18.3%, 13.2%, 8.9%, 8.6%, and 7.0%, respectively, of the Group's total loan portfolio as at 31 December 2025.

The Bank has also directed its efforts toward increasing low-cost deposits, representing demand and regular savings deposits, from its corporate banking clients. In 2025, the Bank managed to grow CASA despite heightened competition from other banks amid resilient demand for consumer loans and lag in recent BSP policy rate cuts impacting cost of deposits. The Bank's total low-cost deposits accounted for a substantial portion of the Bank's total deposit business, contributing ₱1.4 trillion, ₱1.5 trillion and ₱1.6 trillion, or 60.4%, 57.8% and 59.2%, of the Bank's total deposits as of 31 December 2023, 2024, and 2025, respectively. The Bank believes it is a major depository bank for many of its corporate banking customers.

Commercial and SME banking

The Group provides a wide range of banking products and services to its commercial middle-market customers. The Bank classifies all customers engaged in business, other than corporate customers handled by its head office, as commercial banking customers. The Branch Lending Group was created in 2006 to centralize efforts in the middle-market segment and is focused primarily on commercial lending for amounts ranging from approximately ₱5.0 million. In addition to term loans and revolving credit facilities, the banking products and services offered by the Bank to its commercial banking customers include deposit products, bills purchase facilities, trade finance, payment remittances and foreign exchange transactions. Further, the Bank cross-sells the other products and services of the Group, including investment and trust banking services, to its commercial banking customers.

As of 31 December 2023, 2024 and 2025, the parent Bank had 8,173, 8,791 and 10,178 commercial loan accounts, respectively, with a large portion attributable to the Filipino-Chinese community. As of 31 December 2023, 2024, and 2025, the contribution of the Bank's commercial banking business to the Group's loan portfolio was ₱45.7 billion, ₱47.3 billion and ₱48.3 billion, respectively. Most of the Bank's commercial customers are engaged in the manufacturing, wholesale and retail trade industries. The predominant needs of the Bank's Filipino-Chinese commercial middle-market customers are trade financing facilities (such as LCs, trust receipts, export-financing and the discounting of commercial bills, as well as inventory financing) and term loans.

The Bank offers both Peso-denominated and foreign currency (primarily U.S. Dollar-denominated) loans to its commercial customers. It is the Bank's policy to extend foreign currency loans primarily to customers who have foreign currency revenues or who are otherwise hedged. Most of the Bank's commercial loans are made on a floating rate basis.

The Bank's strategy is to increase its small- and medium-market customer base by continuing to pursue a targeted lending program that will help ensure the quality of its loan portfolio and maintain a low loan delinquency ratio. The Bank believes that there are many underserved customers within this market that have the asset base, cash flows, management and business plan necessary to become quality customers of the Bank.

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The Bank has also directed its efforts towards increasing low-cost demand and savings deposits from commercial clients by increasing its market share of deposits for existing prime accounts and acquisition of new accounts. This is made possible through a program of providing cash management solutions for this client segment. Dedicated teams focused on product development, sales, implementation and customer care ensure the seamless set-up of the client's collections, payment and liquidity solutions. By doing so, the Bank is able to capture the operating accounts of its key clients, as well as that of its client's own customers and suppliers.

Trade Finance

The Bank believes that it is a leading provider (by value and by volume) of commercial import LCs and bank guarantees in the Philippines. In addition, the Bank provides documentary collections for exports by local and multinational companies in the Philippines. The Bank's position as a market leader reflects its strategy to leverage the geographic reach of its international branch network in the provision of its trade finance products and services.

The Bank also extends other trade finance-related services to its customers including advice on documentary credits and advances to exporters against export bills. Trade finance loans typically have short maturities and the Bank's primary focus is on providing working capital trade finance.

Branch Banking and Consumer Business Sectors

The Group provides consumer banking services through the Bank and PSBank. The Group's principal consumer banking products and services include bank deposits, home mortgage loans, vehicle finance and consumer finance, including credit cards, and remittances. Consumer loan applications are generally reviewed and pre-screened at the branches, as the Group's primary distribution channel. Thereafter, applications are endorsed to the appropriate processing units for evaluation and approval.

The following table sets out consumer loans to individuals as at the date indicated:

	the Bank	PSBank	Others	Total (Group)
	(₱ billions)			
31 December 2023	66.7	117.8	0.2	184.7
31 December 2024	242.6	135.6	0.2	378.4
31 December 2025	284.9	145.9	0.3	431.1

While the operations of the Bank are largely run separately from those of PSBank, the two banks co-operate to ensure wider market coverage for the Group. The Bank focuses on its own customer base, while PSBank targets the general public. Since 1981, when the Bank acquired PSBank, the Bank conducted a substantial proportion of its small personal deposit-taking and lending business for home purchases and vehicle finance through PSBank. In order to market consumer banking products and services to its own customer base more effectively, the Bank established its own Consumer Lending Group in 1996. In 2020, the Bank merged with its wholly-owned subsidiary and credit card business Metrobank Card Corporation (MCC), which subsequently became the Bank's Consumer Business Sector (CBS). The merger improved synergies within the Group and opened up cross-selling opportunities.

In recent years, both the Bank and PSBank have focused on expanding their consumer banking business, principally through a directed marketing strategy, using their extensive domestic branch network, and by direct sales methods. In particular, the Bank offers a wide range of consumer banking products to customers that are employees of the Bank's corporate customers and to owners of SMEs. To increase face-to-face contact with consumer banking clients, the Bank is currently working to optimize its branch network to be more accessible to its clients and to reach clients in areas that have previously been underserved. The Bank, to a lesser extent, also utilizes traditional communication channels, such as print and advertising, to offer the Bank's consumer loan products to the market. As part of its growth strategy, the Bank has been developing a comprehensive database of target customers for its consumer banking products and services. The Group's consumer banking business generated net interest income of ₱17.5 billion, ₱20.1 billion and ₱23.4 billion, in 2023, 2024 and 2025, respectively.

Branch banking

The Branch Banking Sector (BBS) remains focused on expanding our footprint while deepening customer relationships. As of 31 December 2025, the Bank and PSBank had a total of 967 branches in the Philippines.

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The Group, through the Bank and PSBank, operates a total of 2,242 ATMs as of 31 December 2025. The Bank is expanding its ATM network across branches and off-site locations, prioritizing major tourist areas like Palawan and Cebu where ATM acquiring volumes are expected to be high.

Customer Experience

Understanding our customers' evolving needs remains at the core of our strategy. We enhanced our customer feedback program to gain deeper insights, which led to transformational service initiatives across our branches. These efforts reinforced Metrobank's promise that "You're in Good Hands", ensuring every customer interaction is meaningful and value driven. We align our services with client expectations, and not only improve customer satisfaction but also strengthen long-term relationships, further solidifying our role as a trusted financial partner.

Operational Efficiency

We further optimized branch operations to enhance service quality and transaction efficiency. Automation and process improvements accelerated major functions including commercial account opening, outgoing telegraphic transfers, and contact information updates resulting in smoother and more secure branch experiences for our clients.

Deposits

The Bank offers corporates and consumers a range of deposit products, including current accounts, which are interest and non-interest-bearing demand deposits, savings accounts and time deposits in Pesos, U.S. Dollars and other foreign currencies.

The Group's principal depositors are individuals in the Philippines and customers using the Bank's cash management services. As of 31 December 2023, 2024 and 2025, the Group's total deposits were ₱2.4 trillion, ₱2.6 trillion and ₱2.7 trillion, respectively. As of the same dates, 72.6%, 84.2% and 84.0% of the Group's deposits were Peso-denominated, with the remainder denominated in foreign currencies, principally U.S. Dollars.

Home mortgage loans

Home mortgage loans issued by the Bank and PSBank represented ₱93.4 billion, or 27.6%, as at 31 December 2023, ₱97.8 billion, or 25.2%, as at 31 December 2024, and ₱104.9 billion, or 23.8%, as at 31 December 2025, of the Group's consumer loan portfolio. The Group is currently growing its home mortgage loan business through tie-ups with real estate developers, other corporates and, to a lesser extent, advertising campaigns. The Bank typically relies on existing customers for the majority of its home mortgage sales, while PSBank relies more on direct marketing activities to capture new customers.

The majority of the Group's home mortgage loans are extended to property buyers in the Philippines who intend to occupy the premises, with a small proportion being extended to individuals purchasing residential units for investment purposes. All of the Group's home mortgage loans are secured by a first ranking legal charge over the property. In the case of loans to certain corporate borrowers, the Group often requires personal guarantees to be given by appropriate officers of the borrower as additional security. Traditionally, the Group, as well as other lenders, have required home mortgage borrowers to have an equity interest equal to at least 30.0% of the value of the property. Due to an increase in competition in the mortgage industry, however, many borrowers are now able to secure mortgages for certain types of residential property from lenders, including the Bank, with a 20.0% down payment.

The typical maturity of the Group's home mortgage loans is twelve years. In accordance with industry practice in the Philippines, interest rates on the Group's home mortgage loan portfolio are generally agreed with the relevant borrower at a fixed rate applicable for an initial period of between one and five years, depending on the maturity of the loan. Following the expiry of this initial period, the interest rate is reset at a fixed rate applicable for succeeding periods. The Group believes that the repayment term on the average mortgage loan issued by the Group is shorter than the industry average due to the quality of its customers, which helps lower the default rates on its mortgage loans, while also promoting sustainable growth in its mortgage loan portfolio.

When a borrower falls in arrears with its mortgage payments, it can either agree to a voluntary disposition of the property to the Group or the Group may commence foreclosure proceedings. Foreclosure proceedings without material obstacles generally take 3 to 6 months from the date the petition of extrajudicial foreclosure is filed with the office of the Clerk of the Court. Foreclosure can be done internally by lawyers or through assistance of external accredited counsel. Foreclosed properties are typically sold by public auction or through brokers on behalf of the Group. However, the individual mortgagor or any of its creditors having a lien over the collateral continues to have the right to repurchase such collateral within one year of completing foreclosure in return for payment of principal and interest owed plus the Group's out-of-pocket expenses.

The Bank's Acquired Asset Management and Disposition Division (AAMDD) actively manages and, where appropriate, sells properties acquired in connection with its lending activities. In 2023, 2024 and 2025, the Group sold ₱1.2 billion, ₱1.1 billion and ₱1.1 billion, respectively, worth of investment properties, which primarily consist of foreclosed real estate properties at their

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original acquisition cost. Efforts to diversify methods for the disposal of investment properties have been actively pursued by the Group and include public auctions and sales conducted through brokers and pursuant to employee referrals. The Group has also increased its early intervention efforts in order to reduce the number of mortgages that need to be foreclosed.

Vehicle finance

The Group believes it is amongst the largest car financing portfolio in the Philippines based on internal estimates. As of 31 December 2023, 2024, and 2025, loans advanced by the Bank and PSBank for the purchase of vehicles amounted to ₱96.0 billion, ₱113.4 billion and ₱123.3 billion, respectively, or 28.3%, 29.3% and 27.9% of the Group's consumer loan portfolio, respectively. Vehicle loans advanced by the Group generally have maturities of between 12 and 60 months, and the Group retains the right to repossess the vehicle in the event of payment default. PSBank typically targets dealers for its vehicle loans, while the Bank primarily relies on its own depositors.

Remittances

Reflecting the large market in OFW foreign currency remittances to the Philippines, the activities of the international branches of the Bank, together with those of its subsidiaries and its associates which act as remittance centers, are geared towards the handling of remittances to the Philippines, as well as supporting the trade and capital flows of the Philippines. Income from the remittance business is generated from transactional service fee and, more significantly, from the foreign exchange margin. In addition, the Bank generates foreign currency holdings which can be utilized in meeting its import LC obligations. Remittances are now being distributed in the Philippines not only through the Group's domestic branches and ATM network, but also through its local remittance pay-out partners, such as pawnshops, extending its remittance services outside normal banking hours.

The Group believes that it is one of the largest providers in the Philippines of remittance services for OFWs. The Group has achieved this by utilizing its international network of branches, subsidiaries, associates and representative offices and through its relationships with correspondent banks and other overseas providers of remittance services. The systems installed in the foreign branches and offices enable real-time remittances to be processed.

As a result of the liberalization of foreign exchange controls in the Philippines in the 1990s, the Group continues to expand facilities for the handling of foreign currency remittances. The Group intends to (i) expand its existing international presence by establishing partnerships with local and international remittance service providers in Europe, the Americas, and the Middle East, (ii) rationalize its correspondent banking relationships and (iii) enhance its technology in electronic remittance processing to enable the quickest delivery of remittance services in the industry for credit to own bank accounts and other bank accounts and cash pick-up at Group and local pay-out partner's branches in seconds.

As of 31 December 2025, the Group had 28 foreign branches, subsidiaries and representative offices in close to 10 countries and territories worldwide.

The Group has remittance arrangements with banks and remittance tie-ups and agents in regions with high concentrations of OFWs. The Bank has also entered into additional joint venture agreements with several new money transfer and financial institutions. The Group is continuously seeking to expand this type of relationship for other countries with large numbers of OFWs and expects that this line of business will continue to increase the volume of remittances made by the Group's international network.

The higher value per transaction of remittances by correspondent banks and other financial institutions, compared to the Bank's foreign branches, reflects the practice of large foreign corporations, such as shipping companies, making large lump sum remittances for multiple beneficiaries in the Philippines using their regular banking providers.

Credit Cards

Metrobank Card Corporation (MCC), founded in 1985 and merged with AB Card and Solidcard in 2002, is among the pioneers of the Philippine credit card industry. In 2003, Metrobank partnered with ANZ Funds, gaining access to global card technologies. Metrobank fully acquired ANZ's 40% stake in 2018, strengthening alignment and improving operational efficiency.

In 2019, Metrobank approved MCC's merger into the Bank, completed in early 2020. This move aimed to enhance synergy, improve profitability and capital efficiency, and support long-term growth. MCC was later restructured into the Consumer Business Sector (CBS), overseeing credit cards, personal loans, and consumer lending while driving digital transformation.

Key digital advancements include:

- Faster, fully online credit card application process

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- Upgraded chatbots and digital assistants
- Mobile SOA/MSOA for paperless statements
- PayNow, an award-winning instant transfer feature
- ON Virtual Mastercard for secure online purchases

Metrobank also refined its card lineup: Cashback Visa (up to 8% cashback), Rewards Plus Visa (spend-based fee waiver), health-focused Femme Signature and Platinum cards, and premium cards with higher online rewards.

The Metrobank App, launched in 2022, introduced features like QR transfers, cardless withdrawals, installments, and a customizable dashboard. Within the same year, Metrobank Personal Loan, a multi-purpose cash loan with flexible repayment terms and no collateral required, was launched. Personal Loan is designed to help borrowers finance major life needs such as education, home repairs, emergency expenses, travel, business needs, and other personal goals.

In 2023, the World Mastercard was further enhanced with global lounge passes, improved miles earnings with 1 mile for every ₱17 foreign currency spend conversion, and up to 50% off international deals. The following year, the all-new Travel Signature Visa was introduced to modern and smart Filipino travelers, offering best in-class benefits such as ₱30 = 1 mile spend-to-mile conversion, a competitive 1.68% forex rate, and unlimited local airport lounge access in partner lounges in Manila, Cebu, and Clark.

Recognitions

Metrobank's credit card business has earned numerous regional awards, including Best Brand Experience (CX Asia), multiple Digital Banker awards for digital innovation, and Visa's Highest Contactless Transaction Growth Award.

Financial Markets Sector

Treasury

The Bank's Treasury Group is focused on servicing customer requirements through the sales and trading of global markets products as well as providing support for the core banking business through asset and liability management. The Bank's Treasury Group derives its revenue primarily from fixed income, foreign exchange, derivatives and interest rate differential activities. The customers of the Bank's Treasury Group include domestic and offshore banks, insurance companies, financial institutions, corporations, SMEs, high net worth individuals and retail companies.

The Bank's Treasury Group is responsible for its treasury operations, managing its domestic liquidity and funding position in accordance with regulatory reserve requirements and the objective of the Bank's management. As part of its liquidity management, the Treasury Group invests in sovereign and corporate debt instruments, commercial paper and other securities. The Treasury Group also manages the Bank's foreign currency exposure, engaging in proprietary trading of currencies and offering foreign exchange and risk hedging derivative instruments to the Bank's corporate customers such as forward contracts, interest rate swaps, currency swaps and foreign currency options.

Through its treasury operations, the Bank manages its required regulatory reserves and investment portfolio with a view to maximizing efficiency and return on capital. The Bank also seeks to optimize profits from its trading portfolio by taking advantage of market opportunities.

The Treasury Group engages in domestic and foreign exchange operations. As part of its treasury activities, the Bank also maintains proprietary trading portfolios in domestic debt and equity securities and in foreign currency assets. During the fiscal year, the Bank undertakes foreign exchange sales and purchases on behalf of its corporate customers by engaging in back-to-back derivatives transactions. The Bank also sells hedging products to large and medium-sized corporate customers. The Bank offers derivative products to its clients including foreign exchange forward contracts, options, and currency and interest rate swaps.

The Bank believes it is among the top interbank dealers in foreign exchange, interest rate and foreign currency swaps, government securities and euro bonds in the Philippine financial markets. The Bank has received numerous awards and recognitions for its treasury activities, including the following:

The Asset Benchmark Research Awards 2025

- Top Investment House, Bank Category (Rank 1)
- Best Sell-side Firm for Local Currency in the Secondary Market (Rank 2)
- 7 Metrobankers were recognized

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- 4 Metrobanker Trust Traders made it to the list of “Most Astute Investors”

2025 Annual Philippine Dealing System Awards

- Cesar EA Virata Award for Best Securities House (Bank Category)
- Top Dealing Participant for Corporate Securities
- Top 5 Fixed Income Dealing Participant (Rank 1st)
- Top 5 Corporate Securities Market Makers (Rank 1st)
- Top 5 Fixed-Income Cash Settlement Bank (Rank 3)
- Top 5 Fixed-Income Brokering Participant (Rank 5)

The Bureau of Treasury

- 2025 Top Government Securities Eligible Dealer (GSED)
- GSED with the Highest Auction Share in Treasury Bills
- Top Retail GSED

Trust Banking Group

The Trust Banking Group’s trust banking business offers a wide range of funds and asset management products and services catering to corporates, high net worth individuals (defined as individuals with liquid assets of over ₱20.0 million) and retail investors. As of 31 December 2023, 2024 and 2025, the Group had ₱497.6 billion, ₱581.4 billion and ₱955.8 billion in AUM, respectively.

Revenue from the trust business is generated through trust fees from the management of UITFs and corporate and personal trust products and services, as well as from custody and other agency services. Increased market competition has compressed income from management of UITFs, leading the Bank to refocus increasingly on trust banking services offered to private wealth clients. The Bank continues to broaden its UITF customer base by offering a more diverse range of products. Products introduced in 2018 included a U.S.\$-denominated fixed income feeder fund and three U.S.\$-denominated equity feeder funds. In 2023, the team was able to launch a new UITF, the Metro\$ China Equity Feeder Fund which aimed to help investors diversify their investments and gain access to a portfolio comprised of the Chinese equity market. In the same year, the Metro High Dividend Yield Fund was relaunched to include a unit paying feature, allowing it to pay out dividends received from its holdings. The UITF was renamed as the Metro High Divided Yield Unit Paying Fund. In 2024, the team launched the UITF Online platform, which made the UITF products more accessible and streamlined onboarding for new clients. In 2025, the group’s sustainability efforts have been bolstered by investments in advanced digital platforms and standardized investment solutions. The launch of online UITF account opening, the Automatic Subscription Arrangement (ASA), and Managed UITF Portfolios have enhanced customer accessibility and encouraged prudent investing habits, while streamlining operations and minimizing costs.

The Trust Banking Group offers a broad range of trust banking products and services that address the needs of each of the market segments it serves, such as the management of retirement, corporate and pre-need funds, employee benefit trusts, and custody and facility agency services for corporate clients. Products and services offered to high net worth individuals include estate planning trusts, personal investment trusts and investment management arrangements.

The Trust Banking Group also offers other fiduciary services, such as escrow agency services, mortgage trust indenture services and transfer agency services for public offerings by Philippine corporations.

Income from the Bank’s Trust Banking Group was at ₱1.2 billion, ₱1.2 billion and ₱1.3 billion for the years ended 31 December 2023, 2024 and 2025, respectively.

Institutional Sales Division

The institutional sales division is a sales team that works closely with the relationship managers of the Bank’s institutional banking and national branch banking sectors to deliver financial markets products and solutions typically related to foreign exchange and interest rate exposures and investment requirements to corporate and financial institution customers.

Investment Distribution Division

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The investment distribution division has a nationwide network, manned by Philippine SEC-licensed sales personnel, catering to the financial markets and wealth needs of high net worth individuals and other investor entities. Its customer base consists of persons seeking alternatives to regular deposits with investment portfolios of at least ₱5 million and who are able to make their own investment decisions. The investment distribution division provides such customers with access to live markets for various onshore and offshore fixed income instruments, foreign exchange, derivatives, funds, and other alternative investments. For ultra-high net worth individuals, the investment distribution division works closely with the relationship managers in the Bank's private wealth division.

Client Solutions Division

The client solutions division supports the institutional sales division and investment distribution division by structuring products and solutions tailored to the specific needs of customers, and providing value-added analyses and tools. The securities brokering desk of the division assists sales personnel by executing customer orders, with the aim of delivering smooth and efficient execution of customer transactions.

Private Wealth Division

The Bank's private wealth division is comprised of a team of relationship managers that provides highly personalized services and that works closely with the Group's partners for product delivery. The Group's product partners include the investment distribution division, the Trust Banking Group, Metrobank branches and AXA for financial products. The relationship managers serve as the primary point of contact of the clients for the Group. The private wealth division covers clients who generally have a higher level of assets under management compared to the Bank's investment distribution division and Trust Banking Group, and provides portfolio management, investment advice, insurance, wealth & tax planning through various product providers to its customer base. In 2022, the Bank was recognized as the Best Domestic private bank in the Philippines by Asiamoney, noting the private wealth division's relative performance compared to the Group's competitors, the division's successes in achieving market share and coping with difficult or changing market conditions, among others. In 2023, the Bank was again recognized as the Best Domestic private bank in the Philippines by Asiamoney, for the second straight year. On top of this, the Bank also won Best Bank for Ultra High Net Worth Clients. These awards reflect the private wealth division's relative performance compared to the Group's competitors, success in achieving market share, and its ability to cope with difficult and changing market conditions. In 2024 and 2025, the Bank again won Best Bank for Ultra High Net Worth Clients award issued by Euromoney.

Institutional Investors Coverage Division

The Bank's Institutional Investors Coverage Division (IICD) is responsible for managing the Bank's relationships with its non-bank financial institutional (NBFIs) clients, both locally and offshore. Since April 2024, the IICD integrated the Financial Institution Department (FID) which manages the Bank's relationships with its global correspondent bank partners.

INFORMATION TECHNOLOGY

One of the Bank's key priorities is to continuously elevate customer experience, and technology plays a central role in making this possible. To support this goal, the Group continues to modernize its IT landscape through sustained investments in IT infrastructure, systems, and emerging technologies. This includes strengthening our foundational platforms and beginning to embed Artificial Intelligence into internal operations to improve speed, service delivery and customer experience.

The Group has been on a modernization journey over the last five years, the biggest transformation of which are the creation of its own private cloud that runs its IT systems, and the introduction of the new core banking system. On top of these, the bank has moved towards developing microservices, APIs (Application Programming Interface) and platforms to allow for reusability and ease of integration across systems including, but not limited to, its branch, mobile, and ATM applications. The bank is also looking at using Software as a Service (SaaS) where applications are hosted on the cloud.

With the current developments in the area of AI, the Group has started to create internal AI applications that help increase employee productivity. It acts as a force multiplier by automating routine and repetitive activities, and provide input that hasten decision making by analyzing massive data in seconds. Ultimately, these internal AI applications help the Bank's employees be more efficient, helping deliver better customer experiences.

As the Bank enhances its capabilities through modern systems and AI-driven tools, it also remains focused on operational resilience and ensuring uninterrupted service for customers. The Bank's disaster recovery (DR) site is hosted in a third-party data center. The Group ensures that critical transactional data is mirrored and duplicated in the DR site. In the case of a disaster, this

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allows the Bank to be able to quickly bring up the applications and service our customers. Recently, the Group has started using new technology which allows the applications to run in the DR site for an extended period of time and be able to bring data the data to the production site. This shortens the time it takes to bring up our applications, and ensure that our customer's transactional data are secure and consolidated back to production.

For 2025, the Bank earmarked approximately P5 billion to support its information technology agenda.

INTERNAL AUDIT

The Internal Audit Group (IAG), established by the Board of Directors, operates independently under the oversight of the Audit Committee and in line with the requirements of the Bangko Sentral ng Pilipinas (BSP) and relevant standards. IAG aims to protect and enhance organizational value by providing reasonable assurance on the effectiveness and efficiency of the Bank's internal control, risk management, and governance systems and delivering informed advice and insights on the organization's business functions and performance.

IAG maintains its independence and objectivity in performing and delivering audit activities and projects. It has unrestricted access to organizational records, documents, properties, and personnel relevant to the execution of its function and achievement of audit objectives. The Group, headed by the Chief Audit Executive, reports directly to the Board of Directors through the Audit Committee, and the Internal Auditors have no direct responsibility or involvement over any of the Bank's operating activities. IA has the right mix of people and strategies to deliver its mission; auditors' skills and competencies are continuously upgraded to execute and deliver credible and purposeful evaluations and recommendations.

Over the years, the IA function has become more relevant and consistent in adding value to the Bank. IA has supported the achievement of business goals by providing assurance and recommending improvements to strengthen institutional governance and the control environment, helping propel the Bank to continue to create value through innovative products and services beneficial to the Banking community while building shareholders' trust and confidence. IA activities are dynamic in evaluating critical business areas, and audit scope and approaches are continuously enhanced which ensure comprehensive coverage, including emerging risks. The IAG collaborates closely with other control units and internal assurance providers, (i.e., Risk Management Group, Compliance Division, and Enterprise Fraud Risk Management Division and Risk Managers) for comprehensive identification, review, and monitoring of organizational risks, including communication of the assessed impact to risk owners, for proactive management and mitigation.

CORPORATE SOCIAL RESPONSIBILITY

The Group not only prioritizes its financial performance, but also focuses on making meaningful contributions to the development of the nation and welfare of the larger society. This approach is made real through the Bank's corporate social responsibility arm, Metrobank Foundation, and its employee volunteerism arm, the Purple Hearts Club (PHC).

On 8 January 1979, the Metrobank Foundation, Inc. (the **Foundation**) was established by the Group to contribute to social development efforts of the Government. As of 31 December 2025, the Foundation held 0.6% of the Bank's common shares.

The Foundation seeks to foster a culture of excellence by funding and implementing programs in education, health services, the visual arts, as well as dynamic social development partnerships in the Philippines. In 2025, the Foundation continued to advance its work in excellence recognition, arts, education, social development, and disaster preparedness and response.

The Foundation also continued its flagship programmes which include the Metrobank Foundation Outstanding Filipinos programme that recognizes exemplary teachers, soldiers, and police officers. The Senate of the Philippines formally recognized the 2025 Metrobank Foundation Outstanding Filipinos through the unanimous adoption of Senate Resolution No. 90 on September 10, 2025, commending their contributions to education, peace and security, and the armed services.

Another notable programme is the Metrobank Art & Design Excellence that recognizes promising Filipino artists while promoting Philippine art and culture. This year's theme, "Boundless," marks an exciting chapter in the Metrobank Art & Design Excellence (MADE) program, empowering a new generation of artists to shape the Philippines' cultural landscape. A major highlight of the competition is the introduction of the Featured Medium, a category that changes annually to spotlight different forms of artistic expression. Through the volunteerism arm of the Bank, Purple Hearts Club (PHC), employees practice socially responsible leadership and champion volunteerism. This enables employee engagement through while helping remote communities primarily in disaster and relief efforts, education, health, community assistance, and livelihood.

MBFI deepened strategic partnerships and collaborations, expanding program reach and enabling partners and subsidiaries to scale and strengthen their CSR initiatives through shared expertise and improved systems. By aligning resources and capabilities across sectors, MBFI supported holistic, innovative, and sustainable social outcomes.

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During the Dr. George S.K. Ty Grants Turnover on September 5 at the Grand Hyatt Manila in Taguig, MBFI have turned over P45 million in social development grants to 30 partner organizations to support programs for healthcare, education, livelihood, disaster risk reduction, and special interventions.

MBFI also intensified its disaster response efforts in 2025, delivering timely support to communities affected by natural hazards. Coordinated relief and recovery programs, supported by partnerships and volunteer resources, ensured assistance reached the most vulnerable populations.

INVESTOR RELATIONS

The Bank's Investor Relations Office is dedicated to enhancing transparency, fostering open dialogue, and providing timely and accurate information to our investors. The team serves as the resource for shareholders, equity and financial analysts, rating agencies, regulators and the media to appreciate the Bank's operations, recent performance and significant developments. We believe that strong investor relations are essential for building trust, attracting capital, and driving long term value.

We continue to engage with our shareholders through various channels, including:

- Regular investor conferences and roadshows
- One-on-one meetings with institutional investor and analysts
- Quarterly earnings calls
- Investor relations website and social media channels, regularly updated to include the latest news and information about the Metrobank Group.

The Investor Relations Office of the Bank may be reached at (632) 8857-5733 or via email at investor.relations@metrobank.com.ph.

DOMESTIC AND INTERNATIONAL BRANCH NETWORK

Domestic Branch Network

As of 31 December 2025, the Group had a total domestic branch network of 967 branches, comprising 717 branches of the Bank and 250 branches of PSBank.

The Bank will continue to expand its branch network in areas where there are growth opportunities and to better serve its client base. At the same time, it will maximize the use of its strategically located network in order to increase the efficiency and productivity of its branches and loan officers.

The following table illustrates the coverage of the Bank and PSBank's network in recent years and sets forth the number of domestic branches as of 31 December 2023, 2024 and 2025:

	As of 31 December		
	2023	2024 ⁽¹⁾	2025
Metro Manila			
Bank	314	320	322
PSBank	113	113	113
	427	433	435
Countryside Luzon			
Bank	196	201	204
PSBank	96	96	96
	292	297	300
Visayas			
Bank	110	110	110
PSBank	23	23	23
	133	133	133

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Mindanao

Bank	79	79	81
PSBank	18	18	18
	97	97	99
Total for the Bank	699	710	717
Total for the PSBank	250	250	250
Total Group branches	949	960	967

International Branch Network

The Bank has a network of five strategically located branches outside of the Philippines, which, together with its representative offices, subsidiaries, and a network of correspondent banks, complements the domestic activities of the Group. The Bank's network outside the Philippines can be summarized as follows:

Branches	Representative Offices	Subsidiaries
Taipei	Hong Kong	Metropolitan Bank (China) Ltd.
New York	Beijing	First Metro International Investment Company Limited
Seoul		Metro Remittance (Hong Kong) Limited Metro Remittance (Singapore) Pte. Ltd.
Tokyo		First Metro Holdings USA, Inc. and Subsidiaries:
Osaka		Metro Remittance (Canada), Inc. MB Remittance Center (Hawaii), Ltd. Metro Remittance (UK) Limited Metro Remittance (Japan) Co. Ltd.

The Bank's foreign branches deliver full banking operations and have been predominantly engaged in lending to local businesses, primarily those involved in trade finance. The Bank channels a substantial part of its import LCs through this international network. In addition, the Bank's international offices are licensed to handle remittances for OFWs and other nationalities. The Bank's current strategy is to position its operations internationally to take advantage of trade flows with, and investment in, the Philippines and the presence of large Filipino populations overseas.

Each of the Bank's international branches conducts commercial and trade-related lending operations within each of the jurisdictions in which it operates. The loan portfolio of the Bank's overseas branches, including commercial loans and trade finance, amounted ₱23.8 billion, ₱30.5 billion and ₱32.2 billion as of 31 December 2023, 2024 and 2025, respectively.

In 2023, 2024 and 2025, 5.7%, 4.4% and 4.2%, respectively, of the Group's net income attributable to equity holders of the Bank was generated from its operations outside of the Philippines.

Electronic banking

The Bank's electronic banking or direct banking platform allows customers of the Bank to carry out banking activities using cash accept machines, ATMs, SMS text messaging via mobile telephones or via the internet. As of 31 December 2025, the Group's network reached 2,242 ATMs. Committed to bringing services closer to customers, the Group continues to have a wide geographical compared to other top domestic banks.

EMPLOYEES

As of 31 December 2025, the Bank had a total of 15,820 employees (including the Bank's foreign branches), of which 8,578 were engaged in a professional management capacity and classified as bank officers, and 7,242 were classified as staff members.

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All of the Bank's regular rank and file employees, other than those expressly excluded under the collective bargaining agreement, are represented by a union affiliated with the Associated Labor Unions – Trade Union Congress of the Philippines. In the fourth quarter of 2024, the Bank successfully concluded a new Collective Bargaining Agreement for the years 2025 to 2027. The Bank's management believes it has a good relationship with its staff, which is reflected in the results of a recent employee engagement survey conducted in 2025 by Willis Towers Watson, which yielded a 92% sustainable engagement score from a 96% participation rate amongst employees.

The following table presents the number of employees (including the Bank's foreign branches) by category as of the dates indicated:

	As of 31 December		
	2023	2024	2025
Staff.....	7,418	7,795	7,284
Officers	7,528	8,286	8,626
Total	14,946	16,081	15,910

The following table provides the total employee headcount for the Bank (including the Bank's foreign branches), as of 31 December 2025

	Number of Employees
President.....	1
Senior Officers	858
Junior Officers.....	7,767
General Staff	7,284
Total Headcount.....	15,910

The mandatory retirement age for a Bank employee is 55 years or on completion of 30 years of service, whichever comes first. The normal retirement benefit for employees consists of a lump sum benefit equivalent to 210% of the employee's gross monthly salary at the time of their retirement for every year of service rendered.

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

PROPERTIES

The Bank's head office is located at GT Tower International, 6813 Ayala Avenue cor. H.V. Dela Costa St., Brgy. Bel Air, Makati City, 1227 Philippines. The Bank owns the premises occupied by its head office, including most of its branches. For a geographic breakdown of the Group's branch network, see "Domestic Branch Network" and "International Branch Network" above. In certain cases, the Bank also leases premises occupied by the rest of its branches. Generally, lease contracts are for periods ranging from one year to 25 years and are renewable under certain terms and conditions. Currently, the Bank has no plans for property acquisition, except where feasible, the Bank may explore properties to set up branches to improve its network coverage.

INSURANCE

The Group's policy is to adequately insure all of its properties against fire and other usual risks. The Group also maintains insurance for operational risks such as the loss of cash or securities through loss or theft, both through a program of self-insurance and by obtaining insurance from third party providers. The Group does not have business interruption insurance covering loss of

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revenues in the event that its operations are affected by unexpected events. The Group also has a policy of requiring appropriate insurance coverage for any collateral provided by its customers.

The Group's insurance policies are subject to exclusions which are customary for insurance policies of the type held by the Bank, including those exclusions which relate to war and terrorism-related events. The Group believes that its insurance policies are appropriate for its business.

INTELLECTUAL PROPERTY

The Group has applied to the Intellectual Property Philippines Office in Makati City for, and received, intellectual property protection for all of its major brand names and trademarks, such as "Metrobank", the Metrobank logo, together with the tagline "You're in Good Hands" and the names of the Bank's major products and services, such as MetroHome and MetroCar, various e-banking channels, various remittance services and various trust products. The Group has not been the subject of any disputes relating to its intellectual property rights.

LEGAL PROCEEDINGS AND PERMITS AND LICENSES

As of 31 December 2025, the Group was a party to various unresolved legal proceedings which arise in the ordinary course of its operations, including several suits and claims relating to the Group's lending operations. In the opinion of the Bank's management, even if such unresolved legal proceedings are decided adversely, they will not have a material adverse effect on the Group or its consolidated financial condition.

The Bank also believes that it has all material permits and licenses necessary for its business and that these are valid and subsisting as at the date of this Offering Circular.

SUBSIDIARIES AND ASSOCIATES

The following table sets out summary information in respect of the Group's significant subsidiaries and associate as at and for the year ended 31 December 2025:

Significant Subsidiaries and Associate	Group's effective ownership	Activity	Principal place of business	Issued capital stock	Total assets	Total revenues	Net income
(P billions)							
Philippine Savings Bank	88.38%	Savings Banking	Philippines	4.3	237.3	20.2	3.5
First Metro Investment Corporation including its subsidiaries	99.28%	Investment Banking Holding Company	Philippines	4.2	22.8	2.4	2.0
ORIX Metro Leasing and Finance Corporation including its subsidiaries	59.86%	Leasing, Finance	Philippines	7.1	21.4	5.0	1.2
AXA Philippines Life and General Insurance Corporation (AXA Philippines) (formerly Philippine AXA Life Insurance Corporation (PALIC))	27.97%	Life Insurance	Philippines	18.7	198.2	16.7	2.5

For more information on the Group's subsidiaries and associates, please refer to the notes in the financial statements of the Group elsewhere in this Offering Circular.

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- (1) First Metro, directly or indirectly through its subsidiaries, holds interests in First Metro Securities, PBC Capital Investment Corporation, SBC Properties, Inc., Prima Ventures Development Corporation, Resiliency (SPC), Inc., and First Metro Insurance Brokers Corporation. First Metro also holds interests in AXA Philippines Life and General Insurance Corporation, Orix Metro Leasing and Finance Corp., Lepanto Consolidated Mining Company and Cathay International Resources Corporation. The financial information relating to First Metro includes its equity investments in those subsidiaries and its own associates.
- (2) The Bank holds interests in associates Northpine Land, Inc., and Taal Land, Inc. while PSBank holds interests in associate Sumisho Motor Finance Corporation.
- (3) Each of the Group's subsidiaries listed above have been incorporated in the Philippines, other than Metropolitan Bank (China) Ltd, First Metro International Investment Company Limited and Subsidiary, Metro Remittance (Hong Kong) Limited, Metro Remittance (Singapore) Pte. Ltd., Metro Remittance (USA), Inc., Metro Remittance (UK) Limited, Metro Remittance (Japan) Co. Ltd., and Metro Remittance (Italia), S.p.A.
- (4) Recent Developments:
 - On 11 April 2024, the SEC approved the incorporation of First Metro Insurance and Reinsurance Brokers Inc. (FMIRBI). FMIRBI had filed an application for insurance and reinsurance license with the Insurance Commission on 2 September 2024. The Insurance Commission granted the license effective 1 January 2025 for insurance and reinsurance and effective 5 March 2025 for HMO.
 - Sale of First Metro and Met Holdings, Inc. in First Metro Asset Management Inc ("FAMI") to ATR Financial Holdings, Inc. on December 2024.
 - On 20 May 2024, the Parent Company infused an additional investment of RMB200.0 million (equivalent to ₱1.6 billion) to MBCL as approved by the BSP on 11 December 2023.
 - On 24 July 2024, the stockholders of Metro Remittance (USA), Inc. approved the change in business name of the Company from Metro Remittance (USA), Inc. to First Metro Holdings USA, Inc. through an amendment of its Articles of Incorporation (AOI).

Subsidiaries

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

A brief description of the Group's significant subsidiaries is provided below.

Philippine Savings Bank

The Group offers a range of retail and consumer banking products and services through PSBank, a subsidiary which is managed and operated independently of the Bank. PSBank is a savings bank authorized by the BSP to engage in savings and mortgage banking in the Philippines. PSBank was listed on 10 October 1994 and became the first publicly listed savings bank in the Philippines. As at 30 September 2025, PSBank was the largest savings bank in the country in terms of total loans (net) and total assets, and total capital based on BSP data.

PSBank's products and services primarily cater to the consumer market, principally to individuals, but also to SMEs in the form of support services such as vehicle financing. As at 31 December 2023, 2024 and 2025, PSBank had total assets of ₱238.4 billion, ₱216.4 billion and ₱237.3 billion, respectively, total deposits of ₱189.6 billion, ₱164.6 billion and ₱179.8 billion, respectively, and total loans and receivables of ₱122.8 billion, ₱143.8 billion and ₱154.7 billion, respectively. PSBank's net income in 2023, 2024 and 2025 was ₱4.5 billion, ₱5.2 billion and ₱3.5 billion, respectively.

PSBank's branch network is operated separately from the Bank's domestic network. However, to take advantage of the Bank's brand recognition, PSBank also includes the phrase "Metrobank Group" in its logo. As of 31 December 2025, PSBank had a total of 250 branches, 50% of which were located in Metro Manila. As at 31 December 2025, PSBank had 508 ATMs, of which 271 are installed in PSBank's branches, and 237 are installed in off-site locations. PSBank, like the Bank, is a member of BancNet, the first and currently the largest ATM consortium in the Philippines. BancNet ATMs have been pooled for the common use of their respective customers.

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

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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 commercial loans that include PSBank SME Business Credit Line, PSBank Credit Line, PSBank SME Term Loan with Prime Rebate, among others.

PSBank undertakes a different customer acquisition strategy and has a different customer profile to that of the Bank. PSBank's customer acquisition strategy involves sourcing new customers from various retail segments and through various sales channels. PSBank Online Loan Application (POLA) is available for both Auto and Flexi Personal Loans. Auxiliary to new customer acquisition, additional business is also sourced via direct marketing, whereby the Bank principally cross sells to its existing customers. The Bank and PSBank focus on different customer segments in order to protect their respective market share even as they collaborate to ensure wider market coverage.

PSBank's principal source of funding is deposits from the general public. As of 31 December 2023, 2024 and 2025, PSBank's total deposits represented 8.0%, 6.4% and 6.8% of the Group's total deposits, respectively. As of 31 December 2023, 2024 and 2025, PSBank had total loans and receivables of ₱122.8 billion, ₱143.8 billion and ₱154.7 billion, respectively, representing 8.0%, 7.9% and 7.8% of the Group's total loan portfolio. Also, On 13 July 2018, the BSP authorized PSBank to issue LTNCDs up to ₱15.0 billion through one or multiple tranches over a period of one year. On 9 August 2018, PSBank issued LTNCDs amounting to ₱5.1 billion which were redeemed on 9 February 2024.

As of 31 December 2023, 2024 and 2025, home mortgage, vehicle finance and personal loans represented 94.6%, 94.7% and 94.4% of PSBank's total loan portfolio, respectively.

As of 31 December 2023, 2024 and 2025, PSBank's total NPLs represented 3.5%, 2.6% and 3.8% of its total loan portfolio net of UID. PSBank's allowance for credit losses on receivables from customers as at 31 December 2023, 2024 and 2025 were ₱5.6 billion, ₱3.4 billion and ₱3.7 billion, respectively, representing 127.0%, 91.3% and 62.4%, respectively, of its total NPLs.

PSBank's Tier 1 capital adequacy ratio and total capital adequacy ratio as reported to the BSP were at 23.3% and 24.4% as of 31 December 2025, respectively, compared to 22.5% and 23.6% as of 31 December 2024, respectively, and 23.6% and 24.5%, as at 31 December 2023, respectively. As of 31 December 2025, PSBank had a market capitalization of ₱24.1 billion.

The tables below set forth selected financial ratios of PSBank as at and for the years ended 31 December 2023, 2024 and 2025:

	As at and for the years ended 31 December		
	2023	2024	2025
	(₱ millions, except for %)		
Return on average assets ⁽¹⁾	1.8%	2.3%	1.5%
Return on average equity ⁽²⁾	11.7%	12.4%	7.8%
Net interest margin on average interest earning assets ⁽³⁾	5.2%	6.0%	6.5%
Capital adequacy ratio ⁽⁴⁾	24.5%	23.6%	24.4%
Total gross loans	125,202	143,969	155,145
Total deposit liabilities	189,623	164,553	179,839
Loans to deposits ratio ⁽⁵⁾	66.0%	87.5%	86.3%
NPLs	4,397	3,736	5,911
NPLs to total gross loans net of UID and excluding interbank loans ⁽⁶⁾	3.5%	2.6%	3.8%
NPLs to total gross loans net of UID and including interbank loans	3.3%	2.6%	3.7%
Non-accruing loans	8,532	8,984	12,909
Non-accruing loans to total gross loans ⁽⁷⁾	6.8%	6.2%	8.3%
Allowance for credit losses – loans	5,582	3,412	3,688
Allowance for credit losses - loans to total NPLs (NPL coverage ratio) ⁽⁸⁾	127.0%	91.3%	62.4%

DESCRIPTION OF THE BANK

Allowance for credit losses to non-accruing loans ⁽⁹⁾	65.4%	38.0%	28.6%

Notes:

* Average is current balance plus previous year's balance divided by two

- (1) Net income divided by average total assets for the period indicated
- (2) Net income divided by average total equity for the period indicated
- (3) Net interest income divided by average interest-earning assets (including due from the BSP, due from other banks, interbank loans receivable and SPURA, investment securities, current gross receivables from customers, sales contract receivable, unquoted debt instruments and bills purchased)
- (4) Total qualifying capital divided by total risk-weighted assets, as reported to the BSP
- (5) Total loans divided by total deposits (excluding from other banks)
- (6) Total NPLs divided by total loans (excluding interbank call and TAS loans)
- (7) Total non-accruing loans divided by total loans
- (8) Allowance for credit losses divided by total NPLs
- (9) Allowance for credit losses divided by total non-accruing loans

First Metro Investment Corporation

The Group's investment banking activities are principally undertaken through First Metro Investment Corporation (**First Metro**) a majority-owned subsidiary of the Bank. First Metro is a leading investment bank in the Philippines with over 62 years of service in the development of the country's capital markets. First Metro offers a wide range of services, from debt and equity underwriting, loan syndication, acquisition and project finance, and financial advisory.

First Metro was incorporated in 1972, making it one of the Philippines' oldest and most established investment banks. In September 2000, the Bank acquired Solid Bank Corporation, a listed Philippine commercial bank, and Solid Bank Corporation's investment banking license was later transferred to First Metro. This merger resulted in First Metro becoming the first PSE-listed investment bank. Since that time, First Metro has become one of the largest Philippine investment banking institutions in terms of total assets.

On 12 October 2012, First Metro filed a disclosure with the PSE stating its intention to voluntarily delist its shares and buy back all of its publicly owned shares via a tender offer following the decision of its Board of Directors to operate as a non-listed entity. The delisting of First Metro's shares from the Official Registry of the Exchange was subsequently approved by the PSE effective 21 December 2012. As a result of First Metro's buyback of its own shares, the Bank's ownership in First Metro increased from 98.06% to 99.23% and 99.21% as of 31 December 2013 and 2012, respectively. As of 31 December 2025, the Bank owned 99.28% of First Metro.

In 2025, First Metro successfully completed 18 transactions numerous market-impacting transactions, including the maiden Fixed Rate Bonds of Toyota Financial Services Philippines Corporation for ₱5.0 billion and Metro Pacific Tollways Corporation for ₱20.0 billion, as well as, the ₱34.3 billion Initial Public Offering of Maynilad Water Services, Inc.

First Metro intends to grow its investment banking business while aligning its plans and strategies with the changing business environment. First Metro will continue to develop its products—debt capital markets, equity capital markets, and financial advisory—which will study and evaluate financial and strategic opportunities for existing and future clients. To develop and enhance the organization to support this growth drive, First Metro plans to prepare its employees through training and mentoring to ensure continuity of leadership, good governance, and professional excellence.

First Metro has recently garnered the following awards and recognitions from various institutions:

- Best DCM House Philippines – *FinanceAsia Awards 2025*
- Best Blue Bond: Maynilad Water Services, Inc.'s ₱15 billion Blue Bonds – *The Asset Triple A Sustainable Finance Awards 2025*
- Water Deal of the Year: Maynilad Water Services, Inc. ₱15 billion dual-tranche blue bond – *The Asset Triple A Sustainable Infrastructure Awards 2025*
- Blue Bond of the Year “Maynilad Blue Bonds” – *Asian & Finance Corporate & Investment Banking Awards 2025*
- Sustainability-Linked Bond of the Year: Ayala Land Sustainability-Linked Bond (Tranche 2) – *Asian & Finance Corporate & Investment Banking Awards 2025*
- Best Fixed Income Deal (Large Cap): Ayala Land Inc., Sustainability-linked Bonds (Tranche 3) – *Investment House Association of the Philippines*

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- 1st Top Arranger – Investors’ Choice for Primary Issues (Corporate Bonds) in Philippine Peso Local Currency Bonds – *The Asset Benchmark Research Awards*
- 2nd Top Arranger – Investors’ Choice for Primary Issues (Government Bonds) in Philippine Peso Local Currency Bonds – *The Asset Benchmark Research Awards*
- Best Individuals in Research: Ms. Cristina S. Ulang – *The Asset Benchmark Research Awards*
- Best Deal of the Year in the Philippines: SMC Tollways Corporation’s ₱35 billion Fixed Rate Bonds – *Alpha Southeast Asia 19th Annual Deal & Solution Awards 2025*
- Best Local Currency Bond in the Philippines: SM Prime Holdings, Inc.’s ₱25 billion & ₱17 billion fixed rate bonds – *Alpha Southeast Asia 19th Annual Deal & Solution Awards 2025*
- Best IPO for Retail Investors in Asia 2025 & Best Equity/IPO Deal of the Year in the Philippines 2025: Maynilad Water Services, Inc.’s ₱34.3 billion IPO – *Alpha Southeast Asia 19th Annual Deal & Solution Awards 2025*

First Metro’s total assets stood at ₱22.8 billion as of 31 December 31 2025, compared with ₱20.7 billion and ₱32.2 billion as of 31 December 2024 and 31 December 2023, respectively. First Metro’s capital level as of 31 December 2025 was ₱15.0 billion, representing a 4.5% decrease from ₱15.7 billion as of 31 December 2024. This resulted in a risk-based capital adequacy ratio (RBCA) of 1,538.7% and a return on equity of 13.2% for 2025. As of 31 December 2025, First Metro had a total of 66 employees.

First Metro’s subsidiary FirstMetroSec is a stock brokerage firm licensed to trade in the PSE. It has been a trusted provider of brokering services and solutions to individuals, public and private corporations, and other financial institutions. It provides investors with easy and convenient access to the listed securities in the stock market, either through its state-of-the-art online trading platform or with the assistance of seasoned and knowledgeable brokers. Complementing the broader Metrobank Group distribution network, the company enhanced its ability to facilitate access to fixed-income investment opportunities, helping make this asset class more accessible to retail and emerging investors seeking diversification and income-generating options. In parallel, the company advanced its digital transformation with the launch of Active Trader, an advanced trading interface designed for more market-active investors. Featuring real-time market data, enhanced charting tools, and integrated order execution, Active Trader enables users to respond more efficiently to market movements while maintaining clarity and ease of use.

In 2025, FirstMetroSec, was named Best Broker – Domestic by *FinanceAsia* for the second consecutive year, affirming its leadership in brokerage services and market expertise. It also sustained its distinction as Best Online Trading Platform and Best Online Broker at the International Finance Awards for the seventh consecutive year, underscoring long-term excellence in digital trading and client experience. Investor education remained a core pillar of the company’s mission. Throughout the year, the company conducted 680 financial literacy events, including webinars, on-site events, and podcast episodes, reaching over 165,000 Filipinos nationwide. These efforts were further recognized when FirstMetroSec received the Excellence in Investor Education for Brokerage Services award at the Annual Global Economics Awards 2025, reinforcing its role as a trusted partner in building investor capability and confidence.

ORIX METRO Leasing and Finance Corporation

The Group operates a leasing business through ORIX METRO Leasing and Finance Corporation (ORIX METRO), a 59.85% effectively owned subsidiary of the Bank. It is a joint venture with ORIX Corporation, Japan. ORIX METRO is one of the leading leasing and financing companies in the Philippines that offers leasing and financing services covering transportation equipment, construction equipment, industrial and agricultural machinery, and other types of movable equipment.

In 2007, the Bangko Sentral ng Pilipinas (BSP) granted ORIX METRO permission to engage in quasi-banking activities. In June 2022, BSP approved the voluntary surrender of the quasi-banking license thru its Resolution No. 902. As of 30 June 2025, ORIX METRO has a total network of 83 branches nationwide. Its increasingly large presence in the Philippine countryside, where 93% of its branches are located, has helped provide high-yielding mortgage loans to SMEs in the provinces. This is reflected in ORIX METRO’s revenue – for the year ended 30 June 2024, financing income contributed a majority of its total revenue.

ORIX METRO’s wholly owned subsidiaries include ORIX Rental Corporation (ORC), which is engaged in full-service operating leases of cars, vans and light trucks, and OMLF International Trading and Development Corporation (OITDC), which is engaged in warehouse leasing for big corporate entities.

For the years ended 31 December 2025, 2024, 2023, ORIX METRO generated net income of ₱1.2 billion, ₱1.2 billion and ₱463.0 million, respectively. The y-o-y increase in net income was primarily driven by lower borrowing costs, improvement in asset

quality resulting in lower credit provisioning, and reversal of allowance due to collection, refund, and ECL calculation. The Bank believes that ORIX METRO remains one of the most strongly capitalized leasing and financing companies in the Philippines with total equity of ₱9.5 billion as of 31 December 2025, ₱11.2 billion as of 31 December 2024, and ₱10.1 billion as of 31 December 2023.

Associates

Set forth below is a brief description of the Group's significant associate.

AXA Philippines Life and General Insurance Corporation

Established in 1999, AXA Philippines Life and General Insurance Corporation (**AXA Philippines**) is one of the largest and fastest growing life insurance companies in the country. It offers financial security to approximately two million individuals through its group and individual life insurance as well as general insurance products through its subsidiary Charter Ping An.

AXA Philippines is one of the first to introduce bancassurance operations in the country, and is among the pioneers in the investment-linked insurance sector.

AXA Philippines offers a complete range of products for all its customers' insurance and financial protection needs, including savings and investments, health plans, income protection, and health coverage; and through its general insurance subsidiary Charter Ping An Insurance Corporation: fire, motor car, marine cargo, personal accident, bonds, casualty, and engineering insurance products.

In 2025, AXA Philippines continued to strengthen its protection and wealth offerings by expanding its life and general insurance portfolio and enhancing investment solutions to better match customer needs.

Through Asset Master, AXA's single-pay, investment-linked insurance plan, two new income-focused fund options were introduced: AXA Global Equity Income Paying Fund (AXA EQUIP Fund) and the AXA Variable Income Paying Fund.

AXA EQUIP Fund aims to provide a target payout rate of 5% per year while pursuing long-term capital appreciation through investments in the world's top companies. AXA Variable Income Paying Fund, on the other hand, is designed to help customers grow wealth and generate high income payouts by investing in leading global companies across various sectors and industries.

To support evolving customer needs for flexibility, Asset Master was enhanced with a top-up feature, allowing customers to add to their investments and coverage overtime with no premium charge on top-ups. All-around insurance plan AllShield was also launched, designed to provide whole life coverage and a lump-sum benefit from unexpected events such as accidents, disability, and critical illnesses.

AXA also broadened its General Insurance solutions with MSME Secure, an affordable business insurance solution for micro, small, and medium-sized enterprises against common risks. These include calamities, accidents, and theft, and Group Personal Accident, a group accident insurance plan for organization and employee groups that provide lump-sum benefits for accidental death or disablement, with optional accident-related supplementary benefits.

These efforts were reinforced by industry recognitions across customer protection, brand, digital innovation, governance, and workplace culture. At the Insurance Asia Awards, AXA Philippines was recognized as International General Insurer of the Year and was awarded Health Insurance Initiative of the Year for AXA Health Max Elite. AXA also earned a Platinum Seal (Travel Insurance) and Gold Seals (Health Insurance and Life Insurance) at the Reader's Digest Trusted Brands .Reader's Digest Trusted Brands Awards. These are alongside multiple campaign and brand accolades for AXA Smart Traveller, including Best Travel Insurance for Single Trip at the Tripzilla Excellence Awards 2025, a Silver for Most Innovative Public Relations Campaign for AXA Smart Traveller Go Big Campaign at Marketch NEXT Awards 2025, and a finalist for the Marketing Excellence Awards.

AXA's continued digital momentum was also recognized through Excellence in Digital Innovation (Switch) and Best Mobile Insurance App (Emma by AXA) at the Global Insurance Innovation Awards, as well as Outstanding Digital CX for Emma by AXA at the Bancassurance – Digital CX Awards. AXA also received One Golden Arrow at The Golden Arrow Awards (Institute of Corporate Directors), remained a Certified Great Place to Work® (since 2021), and was named among the Philippine Daily Inquirer x Statista Best Employers 2025. Further affirming its commitment to responsible business and employee well-being, AXA earned Circle of Excellence recognitions for CSR Company of the Year and Wellness Company of the Year at the 2025 Asia CEO Awards, while leaders were also recognized—Caloi Santos, for multiple CIO distinctions including Top 100 CIOs in ASEAN/HK, and Nandy Villar, as Marketing Mentor of the Year (2025) by Mansmith & Fielders, Inc.

For the period ended 31 December 2025, AXA Philippines earned ₱32 billion in life premium income and ₱4.2 billion in general insurance gross written premiums.

AXA has close to 5,000 financial advisers in nearly 50 AXA branches, with more than 650 financial executives in over 900 Metrobank and PSBank branches nationwide.

COMPETITION

The Group faces competition in all its principal areas of business. Philippine domestic and foreign banks are the Group's main competitors, followed by finance companies, mutual funds and investment banks. The Group seeks to gain a competitive advantage by offering innovative products and services, maximizing the functions of its extensive branch network, particularly in provincial areas, investing in technology, leveraging synergies within GT Capital Holdings, Inc. and building on relationships with the Bank's key customers.

Mergers, acquisitions and closures reduced the number of players in the Philippine banking system from a high of 785 banks in 2009 to 463 banks as of 31 December 2025. However, with the entry of foreign banks under new and liberalized banking laws and regulations, the number of universal and commercial banks has grown to 44 as of 31 December 2025.

The extensive competition for large ticket corporate loans prompted banks to venture more extensively into middle-market, SME and consumer lending. The Bank, being a well-entrenched, long-term player in the commercial banking space, enjoys the advantage of having experience that includes origination, credit selection, collection and asset recovery activities.

The Group believes its principal competitors are BDO Unibank and Bank of the Philippine Islands. For a description of the Group's principal competitors see *"Investment Considerations – Considerations Relating to the Philippine Banking Industry – The Group's principal businesses are in the highly competitive Philippine banking industry and increases in competition may result in declining margins in the Group's principal businesses."*

RISK MANAGEMENT

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

RISK MANAGEMENT

The Bank employs a disciplined, structured, and integrated approach to managing all the risks pertaining to its business to protect and optimize shareholder value. The risk management infrastructure covers all identified risk areas.

The Board of Directors has ultimate overall authority and responsibility for corporate risk management of the Bank. By virtue of its approval of the Bank's strategic plans, the Board effectively approves the manner by which the plans are carried out, including the risk stance to be adopted.

The Bank and its subsidiaries manage their respective material risks independently. The subsidiaries have their own risk management processes, and are structured similar to that of the Bank. To promote adherence to the same risk management principles, processes, and risk appetite framework, the Bank has a Risk Management Coordinating Council (**RMCC**) composed of the Chief Risk Officers of the Bank and its subsidiaries. The RMCC is a collegial venue to discuss, develop, and benchmark best practices on risk management policies, and procedures. RMCC discusses high-level risk management plans, addresses group-level risk management issues and programs, and harmonizes group-level methodologies, work protocols, and implementation synergies for the benefit of the Group.

The Risk Management Group (**RSK**) is an independent unit of the Bank tasked to perform identification, analysis, measurement, and monitoring of the material risk exposures of the Bank, in close coordination with other business units. RSK reports directly to the Board of Directors through the Risk Oversight Committee, which is composed primarily of independent members of the Board. The Committee's active role in overseeing the Bank's risk infrastructure, operating policies, and exposures ensures consistency among strategies, and a good balance between risk appetite and prudence.

RSK has dedicated units to oversee the different risk exposures of the Bank and its subsidiaries:

- Credit Risk Division (CRD) oversees the management of credit risks, recommends credit risk management policies, and oversees the independent credit risk review of the Bank's lending units.
- Market and Liquidity Risk Division (MLRD) oversees the management of market and liquidity balance sheet risks, and supports the rationalization of risk strategies by implementing risk control processes.
- RSK's multiple specialized operational risk divisions allow the Bank to place more customer-focused attention on its business strategy. The following divisions assist the Bank's management in meeting its responsibility to understand and manage operational risks of retail business units, commercial business units, and institutional support units, respectively – Retail Operational Risk Management Division (RORMD), Commercial Operational Risk Management Division (CORMD), and Institutional Operational Risk Management Division (IORMD). A separate Business Resilience Risk Management Division (BRRMD) manages technology risk, business continuity, and disaster recovery.
- Enterprise and Quantitative Risk Division (EQRD) is tasked to execute RSK's group oversight mandate, strengthen the fiduciary risk management in the Bank's Trust Banking business, manage the Bank's Internal Capital Adequacy Assessment Process (ICAAP), maintain a robust Recovery Plan, and develop and implement advanced quantitative models and methodologies that effectively assess, quantify, and manage risks across the organization.
- Furthermore, the Sustainability Department (SD) ensures that sustainability principles are embedded into the Bank's business practices and across the organization. In collaboration with various business units and subject matter experts, SD develops policies, programs, and goals on sustainability-related risks and opportunities.

The Bank ascertains that its risk management structure and processes enable the business units to produce sustainable revenue, reduce earnings volatility, and increase shareholder value. Frameworks and processes are regularly reviewed and updated, incorporating recent trends and best industry risk management practices.

RISK MANAGEMENT

The Bank has established the following committees and operational groups to deal with risk policy and management:

Risk Oversight Committee

The Risk Oversight Committee (ROC), as an extension of the Board of Directors, is responsible for the development and oversight of the risk management program of the Bank, including its Trust Banking business. The ROC reviews and endorses for approval, confirmation, or notation, the Board's principles, policies, strategies, processes, and control frameworks pertaining to risk management, as well as recommends to the Board any necessary modifications or amendments to the foregoing.

The ROC's responsibilities include, but are not limited to, the following:

- Oversee the Risk Management Framework. The ROC shall oversee the development and implementation of the Group's enterprise risk management framework and ensure that there is periodic review of the effectiveness of the risk management systems and plans. It shall ensure that corrective actions are promptly implemented to address risk management concerns.
- Oversee development and adherence to risk appetite. The ROC shall ensure that the current and emerging risk exposures are consistent with the Group's strategic direction and overall risk appetite. It shall assess the overall status of adherence to the risk appetite based on the quality of compliance with the limit structure, policies, and procedures relating to risk management and control, and performance of management, among others.
- Evaluate the profile, direction, magnitude and distribution of risks across the Group from a consolidated perspective, thereby exercising supervision and review authority over the risk committees of the various Group subsidiaries.
- Approve and oversee the continuous development of policies and procedures designed to:
 - Define, identify, measure, control, and monitor principal risks faced by the Bank;
 - Establish and communicate risk management controls throughout the Bank;
 - Promote a risk culture that requires the highest standards of ethical behavior by risk taking personnel and risk managers
- Oversee the risk management function. The ROC shall be responsible for the appointment/selection, remuneration, dismissal, and the overall performance of the Chief Risk Officer (CRO); and assess the adequacy of resources of the risk management function including personnel, systems, and other risk management capabilities necessary for the conduct of sound risk management.

Audit Committee

The Audit Committee (AC) is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of risk management practices in relation to the risks faced by the Bank. The AC is assisted in these functions by the IAG. The IAG undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the AC.

Executive Committee

The Executive Committee is responsible for reviewing and approving credit proposals that may pose material risks to the Bank's business strategy or reputation and working closely with the ROC in managing the overall credit risk of the Bank. It also reviews specific business or operating plans regarding significant investments, acquisition or disposal of assets. The Executive Committee also evaluates loan proposals in excess of the authority delegated to the Senior Credit Committee and approves risk exposure for the following types of entities: (a) Commercial Exposures to Corporations and Businesses, (b) Consumer/ Retail Exposures under Existing Policy, (c) Bank and Non-Bank Financial Institutions, and (d) Country Risk Limits.

Credit Committee

The Credit Committee at the management level, is responsible for executing and managing the credit strategy of the Bank. It is also tasked to review and approve credit applications lodged with it by the Bank's head office and branches in Metro Manila and in provincial areas.

Asset and Liability Committee

The Assets & Liabilities Committee (ALCO) is a senior management committee primarily responsible for the management of the Bank's balance sheet and for formulating bank-wide strategies with the following goals: ensuring adequacy of funding sources; managing interest rate risk in line with defined limits; ensuring steady and stable accrual earnings; and adhering adherence to risk limitations set by the Board or the relevant designated committee.

Treasury Group

The Treasury Group is principally responsible for managing the Bank's funding and liquidity requirements as well as its investment and trading portfolio. Under the supervision of ALCO, it engages in money market and foreign exchange dealing, and oversees the Bank's funding requirements. The Treasury Group also engages in derivative transactions for hedging and trading purposes as applicable.

CREDIT RISK

Credit risk refers to the potential that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms. As the Bank recognizes the credit risks inherent in its business lines, it intends to maximize its earnings while managing such risks by maintaining credit exposures and quality within its approved appetite, whether for a single borrower, a group of borrowers, or a sector of the economy.

As a matter of general strategy, the Bank manages credit risk through a system of policies, metrics, and authorities that govern the processes and practices of all credit-originating and relationship management units, as well as other units involved in the credit cycle. The Bank is guided by a credit process, on the transactional and portfolio levels, to ensure that financial undertakings are balanced with prudential control. This process begins with the Bank's defined strategies and risk appetite, driving the ensuing steps of origination, evaluation, approval, avilment, and monitoring. The Bank manages its credit risk by evaluating the creditworthiness of obligors/ counterparties, carrying out detailed cash flow analyses, setting credit limits for counterparties and industry sectors, and obtaining collateral where appropriate.

The Bank utilizes a 10-grade Internal Credit Risk Rating System (ICRRS) for commercial loans which provides management with a structure to define and assess the credit portfolio. It serves as:

- A means of dividing the credit portfolio into standard levels of quality;
- A process for uniformly assessing the entire corporate portfolio at local, regional, and head office levels;
- An indication of a portfolio's potential for default; and
- An aid in developing account strategy for a counterparty or an obligor (e.g., exit, reduce, closely monitor, maintain, grow)

ICRRS- related reports are regularly submitted to the Executive Committee, ROC, and Board. These reports include, among others: a portfolio breakdown by ICRRS grade, showing the distribution of commercial accounts' total loan portfolio by ICRRS grade; portfolio average rating analysis; and periodic rating migration.

For consumer loans, the Bank uses application scorecards for onboarding customers, and behavioral scorecards for monitoring their performance.

To some extent, the Bank relies on third party credit assessments, specifically on the ratings provided by Standard & Poor's, Moody's, Fitch, and PhilRatings on exposures to sovereigns, multilateral development banks, foreign banks, local government units, and Government corporations and corporates, when applicable.

To address the impact of potential asset quality deterioration, the Bank sets up provisions for expected credit loss (ECL) arising from its credit risk exposures, following accounting standards and relevant BSP regulations.

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets and guarantees. Estimates of fair value are based on the value of collateral assessed at the

RISK MANAGEMENT

time of borrowing and are updated regularly following internal and regulatory guidelines. Generally, collateral is not held over loans and advances to other banks, except when securities are held as part of reverse repurchase and securities borrowing activities. Collateral usually is not held against investment securities. On the other hand, the Bank holds collateral against loans and receivables in the form of hold-out on deposits, real estate mortgage, standby letters of credit or bank guaranty, government guaranty, chattel mortgage, assignment of receivables, pledge of shares, personal and corporate guaranty, and other forms of security.

The standards of acceptability, valuation, enforceability, and monitoring/reporting of sufficiency of risk mitigants are covered by Board-approved policies and procedures.

To ensure that the portfolio remains within the defined strategy and risk appetite, constant monitoring is implemented by both front and middle offices. Lending units, in coordination with Credit Group, evaluate the performance of their accounts, and make regular presentations on watchlisted/classified accounts to the Non-Performing Asset Committee (NPAC) which provides direction on the next steps for the concerned problem accounts.

RSK-Credit Risk Division independently monitors the Bank's credit portfolio against set limits, and reviews sample accounts of the various business groups – focusing on credit quality and policy compliance – to provide assurance and control over the effectiveness of the credit risk management process throughout the Bank. The results of these activities are regularly reported to the ROC.

CREDIT APPROVAL AND ADMINISTRATION

The Bank has an independent credit group which oversees the end-to-end credit operations for corporate, commercial and consumer lending. The credit group undertakes the following tasks: credit investigation, collateral appraisal, evaluation, approval by senior credit officers within their delegated authority, approval by voting members of the Credit Committee, documentation, collateral custody and loan administration.

The credit approval process is initiated by the branch or marketing unit to which the applications for loan proposals are made. Such branch or marketing unit is also responsible for the preparation of such loan proposals. Loan proposals originating from the head office are referred to the credit group in the head office for financial analysis and evaluation, collateral appraisal and credit investigation. For middle market lending by the regional lending offices and branches, the financial evaluation, collateral appraisal, credit investigation and documentation review functions are being handled by the credit support units (CSUs) and centralized credit units (CCUs) in the relevant regions. Loan proposals within the approving authority of the area supervisor or regional head are evaluated by the CSUs and CCUs in the relevant region. CSUs are located nationwide in select business centers in Metro Manila and provincial areas.

PSBank and OMLF implement similar credit approval processes to those of the Bank.

Once a loan or a credit application has been approved, examination of documents as to completeness is conducted by the credit group's collateral and documentation department for head office accounts and the CSUs for branch and branch lending group accounts. Each loan transaction is subject to evaluation for compliance with the Bank's credit policies and the completeness and accuracy of the documentary requirements for types of loans and collateral. The Bank's credit group reviews individual accounts at least every year to ensure the quality of credit.

MARKET RISK

Market risk pertains to the potential loss to earnings or capital arising from adverse movements in the fair value of financial instruments.

The general business model for the trading and banking book is set by the Asset and Liability Committee (ALCO) following the risk appetite set by the Board of Directors, and with due consideration of macroeconomic conditions, financial markets trends, and possible events/regulations affecting the strategy. The business model is implemented by the Financial Markets Sector which originates transactions and/or crafts new products needed by clients, whilst keeping itself updated on the financial environment and working within set limits and policies.

The Bank manages this risk via a process of identifying, analyzing, measuring, and controlling relevant market risk factors, and establishing appropriate limits for the various products and exposures. Quantitative expressions of this appetite include: Value-at-Risk limit, rolling 21-day P/L trigger, rolling 21-day stop loss limit, YTD trigger/limit, product cap, sensitivity limits, and tenor limits. Qualitative limits are also set to further strengthen the risk monitoring and controls. Most of these limits are set against the expected returns to ensure that the risk taken is commensurate to the benefit that the Bank will reap from such trading activity. The limits are reviewed at least annually, with possible changes within the

RISK MANAGEMENT

year as dictated by the emergence of new regulations, developments in the market risk management landscape, complexity of the products being traded, and other major movements in the business environment.

The Limits Monitoring and Reporting Guidelines details how the risk measures are

compared against the approved limits. Included in the guidelines are the set of standard procedures in handling excesses or breaches in limits and loss trigger hits. Daily, the RSK-Market and Liquidity Risk Division provides the limits compliance reports to key officers of the business units and RSK. The results of the limits monitoring process are also reported to ALCO on a weekly basis and to the ROC and Board monthly.

MARKET RISK — Trading book

The Bank uses Value-at-Risk (**VaR**) as a primary tool in measuring the potential loss in its trading portfolio. The VaR method is a procedure for estimating portfolio losses exceeding some specified percentile, based on a statistical analysis of historical market price trends, correlations and volatilities. 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.

The Bank uses a 260-day historical simulation (HS) approach to compute VaR. This method assumes that market rates volatility in the future will follow the same movement that occurred within the specified historical period. In calculating VaR, the Bank uses a 99% confidence level and a one-day holding period. This means that, statistically, within a one-day horizon, the trading losses will exceed VaR in one out of 100 trading days. Like any other model, the HS VaR has its own limitations – it cannot predict volatility levels which did not happen in the specified historical period. The validity of the VaR model is verified through a daily backtesting analysis, which examines how frequently both actual and hypothetical daily losses exceed VaR. The result of the daily backtesting analysis is reported monthly to ALCO and ROC. The Bank measures and monitors the VaR daily and this value is compared against the set VaR limit.

INTEREST RATE RISK

Interest Rate Risk in the Banking Book (IRRBB) refers to the current and prospective risk to the Bank’s capital and earnings arising from adverse movements in interest rates that affect the institution’s banking book positions.

This risk is inherent in the current and prospective interest gapping of the Bank’s balance sheet, as the Bank’s core business involves intermediation activities such as deposit-taking and lending, that inadvertently create both maturity and rate mismatch. This translates to possible negative impact to the net interest income (NII) and economic value, as interest rate movements affect interest earned/paid, as well as the value of assets, liabilities, and off-balance sheet items. Thus, before embarking on any new asset and liability management (ALM) strategy, both Financial Markets Sector and RSK independently perform separate assessments on profitability and risks, considering the impact of movements in rates. This ensures that the strategy will not result in a risk exceeding the set appetite of the Bank.

The Bank follows a set of policies on managing its assets and liabilities to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. This appetite is translated to a set of limits which is a major tool in monitoring and controlling the degree of interest rate risk that the banking book is exposed to at any given point in time. Limits include Earnings-at-Risk (EaR) limit and MAT, Delta Economic Value of Equity (Δ EVE) limit, FVOCI mark-to-market loss trigger, position limits, and tenor limits.

Limits are reviewed at least annually by RSK, in coordination with Controllershship Group and Treasury Group. Limits are generally set against the expected income and capital, to ensure that risk taken is commensurate to the returns the Bank will generate from its banking book positions. Also considered are the business environment, changes in strategies, and new regulations, if any

FOREIGN CURRENCY RISK

Foreign exchange risk is the probability of loss to earnings or capital arising from changes in foreign exchange rates. The Bank takes on exposure to effects of fluctuations in the current foreign currency exchange rates on its financial performance and cash flows. Foreign currency liabilities generally consist of foreign currency deposits in the Bank’s FCDU account. Foreign currency deposits are generally used to fund the Bank’s foreign currency-denominated loan and investment portfolio in FCDU. Banks are required by the BSP to match the foreign currency liabilities with the foreign currency assets held in FCDUs. The Bank’s policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines.

RISK MANAGEMENT

LIQUIDITY RISK

Liquidity risk is the current and prospective risk to earnings or capital arising from the inability to meet obligations when they become due.

The Bank's strategy for managing this risk is generally via limiting the maturity mismatch between assets and liabilities, improving the stickiness of its deposit and liabilities profile, and by holding sufficient liquid assets of appropriate quality and marketability.

The Bank's liquidity management practice is guided by a Funding Strategy Framework that serves as a blueprint for the utilization of the Bank's funding sources under both business-as-usual (**BAU**) and stress scenarios, while taking into consideration various internal and regulatory limits. The Bank's macro funding strategy is to reduce liquidity risk by increasing the Bank's base for long-term funding, which is put into motion with the Bank's term funding plan. In terms of short-term funding, the Bank monitors various indicators of liquidity, including the Bank's usage of its BAU funding capacity and intraday liquidity. The Bank also maintains a contingency funding plan to ensure preparedness to withstand stress scenarios.

The Bank recognizes that liquidity risk is one of its most important risks, and that it must be managed promptly and properly. As such, it sets limits or triggers on net cash flows over specific periods of time (Maximum Cumulative Outflow limit), available funding sources (Liquidity Coverage Ratio Management Action Trigger (**MAT**), Net Stable Funding Ratio MAT, Funding Utilization MAT), and funding concentration (Funding Concentration MAT), to ensure that the level of the Bank's liquidity is adequate to always support funding requirements.

The liquidity risk limits and policy guidelines are reviewed annually or on an interim basis, as deemed necessary to ensure that they remain prudent and relevant.

The Treasury Group-Asset & Liability Management Division (**TG-ALMD**) is the primary unit responsible for managing the liquidity position of the Bank, its foreign branches, and select subsidiaries. It manages and closely monitors the daily, as well as short- to medium-term liquidity positions of the Regular Banking Unit (**RBU**) and Foreign Currency Deposit Unit (**FCDU**) books. TG-ALMD also ensures that the Bank complies with regulatory liquidity and reserve requirements.

RSK-Market and Liquidity Risk Division generates liquidity risk reports daily. At a minimum, the reports provide a view of current exposures against established thresholds to ensure compliance with approved limits and identify emerging concerns on liquidity. The exposures and profiles are provided to TG-ALMD every day and reported to the ALCO every week, and to ROC and the Board every month. Any breach in liquidity risk limits is escalated to the appropriate level of management for immediate action.

OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems, and external events. It includes legal risk, but excludes strategic and reputational risks. The Bank recognizes that operational risks are inherent in all of its activities, products, and services. Thus, the Bank implements an Operational Risk Management Framework ("**ORMF**") to constantly identify, assess, monitor, mitigate, and control these risks across all business lines. The responsibility to manage this risk falls on everyone in the organization, with duties divided into three lines of defense:

1. First Line of Defense – Business Units

The business unit is responsible on a day-to-day basis for identifying, managing, and reporting operational risks in the products, activities, and systems for which it is accountable.

2. Second Line of Defense – Operational Risk Management Divisions, Compliance Division

The four operational risk divisions covering retail, commercial, institutional, and business resilience assist management in meeting its responsibility to understand and manage exposures by designing, providing, and overseeing implementation of tools for identifying, assessing, monitoring, and controlling operational risks. They also initiate and recommend operational risk mitigation measures and initiatives to control and contain operational risks and losses. On the other hand, Compliance Division conduct independent assessment of compliance with relevant laws, rules and regulations.

3. Third Line of Defense – Internal Audit Group

Internal Audit Group conducts an independent assessment of the ORMF, including the implementation of related policies and procedures. Identified issues are presented to the Management for timely and effective resolution, and presented to the Board as appropriate.

RISK MANAGEMENT

The full operational risk management cycle is performed using various tools such as Risk Incident Report (RIR), Risk Event Database (RED), Business Process mappings, Process Risk Self-Assessment (PRSA)/Risk and Control Self-Assessment (RCSA), Key Risk Indicator (KRI), Business Impact Analysis (BIA), and Disaster Risk Assessment (DRA).

SYSTEMS RISK

Particular to systems risk, the Bank follows an Information Technology Risk Management Framework (**ITRMF**), a subset of the ORMF. The ITRMF defines governance and management mechanisms necessary for robust information technology risk management. Technology risks are assessed focusing on seven potential risk exposures to unavailability/loss of data, system disruption, capacity & system performance issues, data integrity, unauthorised disclosure, unauthorised access to system, and exposure to regulatory fines and penalties. Identified weaknesses are addressed with documented risk treatment plans with defined timetables agreed to by both IT system servicing units and system owners. Also, to ensure that critical processes continue in the event of disruption, business impact analysis (**BIA**) is performed regularly to identify such, together with their related systems and applications and recovery time and point objectives.

Following the identification of systems risks, the Bank has implemented systems and procedures to ensure confidentiality, integrity, and availability of its information assets. These include continuous monitoring of system security, multiple back-ups, outside the cities of Makati and Taguig, of key components of the Bank's systems and replication of critical data. These allow early detection and treatment of vulnerabilities, and restoration/recovery of systems and data.

The Bank ensures seamless transition when decommissioning old systems. Parallel runs with the old system are done when launching a new system.

BUSINESS CONTINUITY PROGRAM

The Bank is committed to safeguarding its business operations and stakeholders' interests. The Bank has a Board approved Business Continuity Program (**BCProg**) to ensure that the risks of potential and unexpected business disruptions to the Bank's essential business processes are addressed and all critical business units may resume at reasonable/acceptable levels of operations after the onset of any identified/disruptive event.

The Bank's BCProg currently includes the identification of the backup operations and data recovery requirements, alternate communication facilities, secondary data center or Business Recovery Center, alternate recovery sites and applicable manual processes, which address the worst-case scenario of complete business disruption. The Bank's Business Continuity Plans (**BCPlans**), which form part of the BCProg, may also be activated in order to quickly recover and resume business operations.

The BCPlans are periodically updated and tested in accordance with the requirements of the BSP, to ensure the Bank's readiness for probable business disruptions. Based on the results of the latest Bank-wide BCP test, the exercise was deemed successful. Although the test may not be able to replicate the actual extreme conditions that the Bank may experience in a real emergency (e.g., control over the various entities that the Bank must rely upon in the event of an emergency, unpredictability of significant business disruption scenarios), the Bank is committed to continue enhancing its BCProg to address potential disruptive events.

ENVIRONMENTAL AND SOCIAL RISK

Environmental and social (E&S) risks represent potential impact to an organization due to physical hazards brought by climate change as well as the consequences of transitioning to a more carbon emissions conscious economy, or conversely, the potential impact by an organization to the environment and society due to poor E&S governance. Failure to effectively manage E&S issues can lead to financial, legal, reputational, compliance, and regulatory consequences.

The Bank integrates Environment and Social Risk Management (ESRM) into its corporate governance, risk frameworks, and strategic objectives in alignment with prevailing circulars from the BSP and the SEC. The Bank also ensures adherence to material directives from key regulatory agencies and other relevant offices. These guidelines collectively guide the identification, management, and monitoring of E&S risks across lending and investment activities, as well as within operational processes. These uphold the Bank's compliance with both local regulations and global sustainability standards and supports the long-term resilience of operations and services.

The Bank uses its Sustainable Finance Framework (SFF) as a tool for assessing and categorizing economic activities based on their sustainability and climate impact. The SFF is supported by the ESRM Framework, which ensures that material environmental and social risks are identified, assessed, and managed across business processes. Through the SFF and ESRM Framework, the Bank is able to integrate sustainability considerations into business and operational decisions, monitor emerging climate-related risks and opportunities, and strengthen organizational resilience amid evolving market

RISK MANAGEMENT

and policy expectations. These Frameworks enable the Bank to both contribute to national development priorities and maintaining prudent risk management.

SELECTED STATISTICAL DATA

The following information should be read together with the Group's consolidated financial statements included in this Offering Circular. All amounts presented in this section have been prepared in accordance with PFRS Accounting Standards.

FUNDING

Overview

The Group's funding is primarily provided by demand, savings, time deposits, and LTNCDs, which amounted to 24.1%, 35.1%, 40.8% and 0.0%, respectively, of the total amount of deposits of ₱2.7 trillion as of 31 December 2025. The Group believes that its branch network is important to attract deposits from the public. The Group also sources part of its funding requirements from the interbank market and occasionally from the BSP rediscount window, which generally results in lower overall funding costs due to the relatively lower interest rate charged at the rediscount window as compared to other sources of funding. The Group may also, from time-to-time, issue various subordinated notes to increase its funding.

Sources of Funding

The Bank has been successful in attracting and retaining its low-cost deposit base. While the cost of deposits has largely been driven by interest rate movements, the average cost of deposits is also bolstered by the continued rise in the percentage of checking or demand and savings accounts (CASA) in relation to total deposits. The Bank will continue to emphasise growth in its CASA by launching various CASA products aimed towards retail, middle market and corporate customers. The maturities of the Bank's funding portfolio enable it to achieve funding stability and liquidity while achieving its desired profile of loan and deposit maturities. The Bank's depositors typically roll over their deposits at maturity, effectively providing the Group with a base of core liquidity.

The following table sets out an analysis of the Bank's principal sources of funding for the periods indicated:

	As of 31 December								
	2023			2024			2025		
	Amount	% of total	Average cost of funding	Amount	% of total	Average cost of funding	Amount	% of total	Average cost of funding
	(₱ millions, except for %)								
Deposits by type:									
Demand.....	536,772	25.4%	0.1%	559,133	24.1%	0.1%	586,157	24.7%	0.1%
Savings	807,153	38.2%	0.1%	832,157	35.8%	0.1%	884,817	37.3%	0.1%
Time.....	757,204	35.8%	4.7%	930,174	40.1%	5.2%	904,002	38.1%	4.7%
LTNCD.....	12,430	0.6%	4.5%	—	0.0%	4.7%	—	0.0%	0.0%
Total	2,113,559	100.0%	1.7%	2,321,464	100.0%	2.0%	2,374,976	100.0%	1.7%
Deposits by currency:									
Peso.....	1,556,414	73.6%	1.6%	2,021,384	87.1%	1.7%	2,072,162	87.2%	1.8%
Foreign.....	557,145	26.4%	2.1%	300,080	12.9%	3.2%	302,814	12.8%	1.1%
Total	2,113,559	100.0%	1.7%	2,321,464	100.0%	2.0%	2,374,976	100.0%	1.7%
Borrowings:									
Peso.....	42,611	20.2%	4.9%	18,958	4.8%	4.9%	154,353	25.2%	5.3%
Foreign.....	168,560	79.8%	4.5%	372,441	95.2%	4.9%	457,909	74.8%	5.0%

SELECTED STATISTICAL DATA

Total	211,171	100.0%	4.6%	391,399	100.0%	4.9%	612,262	100.0%	5.0%

As of 31 December 2025, 59.2% of the Bank's outstanding deposits were demand and savings deposits, which can be withdrawn on demand without any prior notice from the customer. The following table sets out an analysis of the maturities of the deposit base of the Bank as at the dates indicated:

	As of 31 December		
	2023	2024	2025
	(₱ millions)		
Demand.....	586,345	608,370	642,415
Savings	853,028	879,568	932,693
Time			
1-90 days	717,922	983,356	992,067
91-180 days	101,811	45,774	56,802
181 days and longer.....	106,152	56,810	36,979
	<u>925,885</u>	<u>1,085,940</u>	<u>1,085,848</u>
LTNCD.....	17,514	—	—
Total	<u>2,382,772</u>	<u>2,573,878</u>	<u>2,660,956</u>

The Bank also maintains credit lines with domestic commercial banks and financial institutions in the interbank market primarily for treasury management purposes. Interbank borrowings are typically for short-term durations of between one day and a few weeks. The BSP is a lender of last resort to the Philippine banking industry. The Bank has not had to resort to this facility but has managed its liquidity through its participation in the interbank market in the Philippines.

The Bank is a member of the Philippine Deposit Insurance Corporation (the **PDIC**), which insures all deposits up to a maximum of ₱1.0 million per depositor. The PDIC is funded by semi-annual assessment fees at a prescribed percentage of the Bank's deposit liabilities less certain exclusions.

On 19 July 2018, the BSP authorized the Bank to issue up to ₱25.0 billion Long-Term Negotiable Certificates of Time Deposit (**LTNCDs**) in one or multiple tranches issued over a period of one year. The Bank issued the first tranche amounting to ₱8.68 billion on 4 October 2018 at a rate of 5.375% per annum, payable quarterly, with a tenor of five years and six months and maturing on 4 April 2024.

On 18 September 2019, the Bank's Board approved the issuance of LTNCDs of up to ₱25.0 billion in one or more tranches of at least ₱2.0 billion per tranche, and tenors of 5.5 years to up to 10 years, subject to market conditions. On 10 January 2020, the BSP approved the Bank's application to issue up to ₱25.0 billion over a period of one year from BSP approval. As of 31 December 2021, the BSP's approval had lapsed, hence, the Bank can no longer issue LTNCDs pursuant to such approval.

Borrowings

The following table sets forth, for the periods indicated, information related to the Group's borrowings, which are comprised primarily of bills payable and securities sold under repurchase agreements (**SSURA**) and bonds payable.

	As of 31 December		
	2023	2024	2025
	(₱ millions, except %)		
Bills payable and SSURA.....	156,896	300,652	530,734
Bonds payable.....	70,089	107,236	114,013
Total	<u>226,985</u>	<u>407,888</u>	<u>644,747</u>

SELECTED STATISTICAL DATA

Average balance ⁽¹⁾	203,943	317,437	526,318
Interest incurred during the year	6,894	13,563	18,163
Average interest rate during the year ⁽²⁾	3.4%	4.3%	3.5%
Average interest rate at year end ⁽³⁾	3.0%	3.3%	2.8%

Notes:

- (1) Average is current year balance plus previous year balance divided by two (note: current and previous years' balances pertain to December 31 year-end balances)
- (2) Represents the ratio of interest expense on borrowings to the average balances of borrowings.
- (3) Represents the average rate of borrowings outstanding as at year-end.

Bills Payable and SSURA

The following table sets forth, for the years indicated, information related to the Group's bills payable and SSURA, which consists of borrowings from deposit substitutes, local and foreign banks (which are primarily short-term borrowings) and SSURA.

	As of 31 December		
	2023	2024	2025
	(₱ millions, except %)		
Total Bills Payable and SSURA	156,896	300,652	530,734
Average balance ⁽¹⁾	124,109	228,774	415,693
Interest incurred during the year	3,681	8,799	13,097
Average interest rate during the year ⁽²⁾	3.0%	3.8%	3.2%
Average interest rate at year end ⁽³⁾	2.3%	2.9%	2.5%

Notes:

- (1) Average is current year balance plus previous year balance divided by two (note: current and previous years' balances pertain to December 31 year-end balances)
- (2) Represents the ratio of interest expense on borrowings to the average balances of borrowings.
- (3) Represents the average rate of borrowings outstanding as at year end.

Bonds Payable

The Group has issued scrippless fixed rate corporation bonds to fund its growing operations. As of 31 December 2025, the Group had ₱114.0 billion in bonds outstanding, details of which are set forth in the table below.

On 4 June 2021, the Bank issued ₱19.0 billion of bonds with an interest rate of 3.60%. These bonds will mature on 4 September 2026.

SELECTED STATISTICAL DATA

				Carrying Value As of 31 December	
Issue Date	Maturity Date	Interest Rate	Face Value	2024	2025
(₱ millions, and where indicated as U.S.\$, millions)					
The Bank					
<u>Fixed Rate Philippine Peso Bonds</u>					
4 June 2021	4 September 2026	3.600%	19,000	18,953	18,982
<u>U.S.\$ Senior Unsecured Notes</u>					
15 July 2020.....	15 January 2026	2.125%	U.S.\$500	28,819	29,391
6 March 2024.....	6 March 2029	5.375%	U.S.\$500	28,646	29,187
6 March 2024.....	6 March 2034	5.500%	U.S.\$500	28,440	28,970
				104,858	106,530
<u>Fixed Rate Philippine Peso Bonds</u>					
PSBank					
18 August 2025.....	18 August 2027	5.875%	5,000	-	4,961
MBCL					
25 June 2024.....	25 June 2027	2.600%	CNY300	2,378	2,522
				107,236	114,013

Subordinated Debt

The Group obtains funds from the issuance of unsecured non-convertible subordinated debt securities which qualify as Tier II Capital under BSP guidelines for assessing capital adequacy. As of 31 December 2025, the Group's outstanding subordinated debt was nil. The following table sets forth information with respect to subordinated debt issued by the Group as of 31 December 2025.

Particulars	Issue Date	Maturity Date	Face Value	Carrying Value as at		Coupon Rate/Step-up
				31 December 2020	31 December 2021	
(in ₱ millions)						
MCC-2023*(1)	20 December 2013	20 December 2023	1,170	1,167	1,168	6.21% p.a. until maturity

Note:

* Qualified capital under Basel III

(1) Absorbed by the parent company of MCC, the Bank, on 3 January 2020, pursuant to the merger of MCC into the Bank effective 3 January 2020.

SELECTED STATISTICAL DATA

Liquidity Management

The Bank manages its liquidity to meet financial liabilities arising from the withdrawal of deposits, repayments of deposits at maturity and working capital needs. Funds are required to create assets in the form of loans and extensions of other forms of credit, investments in securities, trade financing and capital investments. The Bank seeks to ensure sufficient liquidity through a combination of active management of liabilities, a liquid asset portfolio, the securing of ample money market lines and swap lines and the maintenance of repurchase facilities.

Liquidity risk is monitored and managed using Maximum Cumulative Outflows (MCOs) and funding diversification/concentration limits. A Contingency Funding Plan is likewise in place to ensure readiness for every liquidity crisis situation. The Bank's Asset and Liability Committee (ALCO) is directly responsible for liquidity risk exposures. ALCO regularly monitors the Bank's positions and sets the appropriate fund transfer prices to effectively manage movement of funds across business activities. The Bank does not anticipate any cash flow or liquidity problems within the next 12 months, and is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement. There are no known trends, demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in any material increase or decrease in the Bank's liquidity.

As of 31 December 2025, the Group's liquid assets amounted to ₱1.8 trillion, representing 46.9% of the Group's total assets. Liquid assets include cash and other cash items, due from the BSP and from other banks, interbank loans receivable and securities purchased under repurchase agreements (SPURA) and investment securities.

The following table sets out information with respect to the Group's liquidity position as at the dates indicated:

	As of 31 December		
	2023	2024	2025
	(₱ millions)		
Liquid assets	1,492,869	1,621,536	1,819,122
Cash and other cash items.....	39,431	33,726	34,577
Due from BSP and other banks.....	298,342	232,196	170,380
Interbank loans and SPURA	72,979	81,287	72,590
Investment Securities.....	1,082,117	1,274,327	1,541,575
Total assets	3,104,902	3,520,355	3,880,317
Liquid assets to total assets	48.1%	46.1%	46.9%
Total deposits.....	2,382,772	2,573,878	2,660,956
Liquid assets to total deposits	62.7%	63.0%	68.4%
Net Loans ⁽¹⁾	1,504,198	1,772,628	1,922,031
Total Gross Loans.....	1,567,046	1,832,841	1,993,274
Less:.....			
Unearned discounts and capitalised interest	15,637	17,738	23,198
Allowance for credit losses.....	47,211	42,475	48,045
Total Deposits.....	2,382,772	2,573,878	2,660,956
Net loans to total deposits.....	63.1%	68.9%	72.2%

Note:

(1) Receivables from customers net of allowance for credit losses and unearned discounts and capitalised interest and other charges.

As of 31 December 2025, the scheduled maturity of the Group's total loan portfolio (gross of allowance for credit losses and unearned interest and discount) and liquid financial investments (gross of allowance for credit losses) were as follows:

SELECTED STATISTICAL DATA

	Loans	Liquid financial investments ⁽¹⁾
	(₱ millions)	
Due within one year.....	844,697	512,351
Over one year.....	1,148,577	1,029,546

Note:

(1) Includes investment securities at FVTPL, FVOCI, and at amortized cost.

The Group measures its liquidity risk via the MCOs or the Liquidity Gaps Report. As of 31 December 2025, the Group's MCOs were covered by identified funding sources. The Group MCO Limits on the total portfolio, as well as on the Peso book and U.S. Dollar book, were approved by the Issuer's Risk Oversight Committee and Board of Directors.

Cash Flow Mismatch Analysis

The Group manages its liquidity risk by analyzing net funding requirements under alternative scenarios, diversification of funding sources and contingency planning. Specifically for the Bank, it utilizes a diverse range of sources of funds, although short-term deposits made with its network of domestic branches comprise the majority of such funding. To ensure that funding requirements are met, the Bank manages its liquidity risk by holding what it believes to be a sufficient amount of liquid assets of appropriate quality. It also maintains a balanced loan portfolio that is re-priced on a regular basis. Deposits with banks are made on a short-term basis.

The table below sets forth the Group's structural liquidity gap position as of 31 December 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 Group can be required to pay its liabilities.

	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 year	Total
	(₱ millions)						
2025							
Financial Assets							
Cash and other cash items	34,577	—	—	—	—	—	34,577
Due from BSP	106,042	—	—	—	—	—	106,042
Due from other banks	53,198	6,331	4,771	148	9	—	64,457
Interbank loans receivable and SPURA	59	43,940	6,434	12,347	9,913	—	72,693
Investment securities at FVTPL.....	—	37	95,440	—	—	98	95,575
Derivative assets							
Trading:							
Receive	—	142,523	76,542	46,180	25,938	202,970	494,153
Pay	—	(140,296)	(75,080)	(45,027)	(24,289)	(190,666)	(475,358)
	—	2,227	1,462	1,153	1,649	12,304	18,795
Investment securities at FVOCI.....	—	355,924	8,321	17,546	20,388	735,562	1,137,741

SELECTED STATISTICAL DATA

	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 year	Total
	(₱ millions)						
Investment securities at amortized cost.....	—	543	5,326	3,127	7,681	575,468	592,145
Loans and receivables							
Receivables from customers.....	118,699	308,000	188,176	129,627	128,221	1,519,934	2,392,657
Accrued interest receivable.....	120	24,038	392	1,064	101	1,369	27,084
Accounts receivable.....	12,871	17,738	45	17	39	32	30,742
Sales contract receivable.....	9	—	1	1	3	—	14
Other receivables	5	7	—	—	—	2	14
Other assets							
Returned checks and other cash items	555	—	—	—	—	—	555
Residual values of leased assets.....	35	9	13	20	41	247	365
Miscellaneous	309	152	1,096	5	15	198	1,775
	326,479	758,946	311,477	165,055	168,060	2,845,214	4,575,231
Financial Liabilities							
Non-derivative liabilities							
Deposit liabilities							
Demand.....	642,415	—	—	—	—	—	642,415
Savings	932,693	—	—	—	—	—	932,693
Time.....	558	800,671	193,379	57,397	17,266	21,702	1,090,973
	1,575,666	800,671	193,379	57,397	17,266	21,702	2,666,081
Bills payable and SSURA	—	469,839	18,175	17,173	1,177	27,381	533,745
Manager's checks and demand drafts outstanding	7,293	—	—	—	—	—	7,293
Accrued interest payable	315	5,063	1,630	1,018	226	185	8,437
Accrued other expenses	6,711	523	1,911	—	2	—	9,147
Bonds payable	—	29,404	151	830	20,907	81,762	133,054
Other liabilities							
Lease liability	—	264	377	452	840	5,743	7,676
Bills purchased – contra	14,175	—	—	—	—	—	14,175

SELECTED STATISTICAL DATA

	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 year	Total
(P millions)							
Accounts payable	11,244	31,408	162	222	322	12	43,370
Marginal deposits	1,429	3,287	748	3,758	5,468	1,261	15,951
Outstanding acceptances	–	303	605	362	277	–	1,547
Deposits on lease contracts	57	30	22	57	72	418	656
Dividends payable	121	–	–	–	–	–	121
Miscellaneous	237	–	–	–	–	–	237
	<u>1,617,248</u>	<u>1,340,792</u>	<u>217,160</u>	<u>81,269</u>	<u>46,557</u>	<u>138,464</u>	<u>3,441,490</u>
Derivative liabilities							
Trading:							
Pay	–	203,803	82,865	51,849	29,488	158,249	526,254
Receive	–	(201,501)	(81,805)	(49,899)	(28,747)	(151,214)	(513,166)
	<u>–</u>	<u>2,302</u>	<u>1,060</u>	<u>1,950</u>	<u>741</u>	<u>7,035</u>	<u>13,088</u>
Loan commitments and financial guarantees	<u>415,240</u>	<u>14,189</u>	<u>18,527</u>	<u>29,102</u>	<u>33,992</u>	<u>26,115</u>	<u>537,165</u>
	<u>2,032,488</u>	<u>1,357,283</u>	<u>236,747</u>	<u>112,321</u>	<u>81,290</u>	<u>171,614</u>	<u>3,991,743</u>

Notes:

- (1) Financial assets – analysis of debt securities into maturity groupings is based on the expected date on which these assets will be realized. For other financial assets, the analysis into maturity groupings 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.
- (2) Financial liabilities – the maturity groupings are based on the remaining period from the end of the reporting period to the contractual maturity date. When a counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Group may be required to pay.

Securities Portfolio

Effective 1 January 2018, with the adoption of PFRS 9, the Group classified its securities based on the contractual cash flow characteristics of the financial assets and the business model for managing those financial assets. These factors determine whether the financial assets are measured at amortized cost or hold-to-collect (**HTC**), Fair Value through Other Comprehensive Income (**FVOCI**) with recycling to profit or loss for securities belonging to portfolios managed under a “hold-to-collect-and-sell” business model, or Fair Value Through the Statement of Profit or Loss (**FVTPL**). Subsequent to initial recognition, the Group may reclassify its financial assets only when there is a change in its business model for managing these financial assets.

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group’s business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios. If cash flows after initial recognition are realized in a way that is different from the Group’s original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

As a second step of its classification process, the Group assesses the contractual terms of financial assets to identify whether they pass the contractual cash flows test or solely payments of principal and interest test (**SPPI test**). For the purpose of the SPPI test, principal is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium or discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. In contrast, contractual terms that introduce a more than *de minimis* exposure to risks or volatility

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in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are SPPI. In such cases, the financial asset is required to be measured at FVTPL.

Investment securities 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 investment securities at FVOCI are excluded, net of tax as applicable, from the reported earnings and are included in the statement of comprehensive income as 'Change in net unrealized loss on investment securities 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 restatement on foreign currency-denominated debt securities at FVOCI, is reported in the statement of income. Interest earned on holding debt securities at 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 statement of comprehensive income is recognized as 'Trading and securities gain (loss) – net' in the statement of income. The expected credit losses 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 statement of income.

Equity securities designated at FVOCI are those that the Group 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 statement of income as 'Dividends' when the right of the payment has been established, except when the Group 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 statement 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 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 statement of financial position captions 'Due from BSP', 'Due from other banks', 'Interbank loans receivable and SPURA', 'Investment securities at amortized cost' and 'Loans and receivables'.

Detailed discussions on financial assets are disclosed in Notes 2 and 8 of the audited consolidated financial statements of the Group elsewhere in this Offering Circular.

As of 31 December 2025, the Group's investments comprised 39.7% of its total assets. The Group carries out its investment activities according to various investment and trading policies. These policies set forth delegation of powers, types of instruments, maximum limits on investments in different types of securities, position limits, stop loss limits, duration limits, and minimum acceptable credit spreads. The table below shows the balances of the Group's securities as at the dates indicated:

	As of 31 December					
	2023		2024		2025	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
	(P millions)					
Investment Securities at FVTPL	74,856	74,856	226,302	226,302	113,841	113,841
Investment Securities at FVOCI	536,623	536,623	573,001	573,001	954,460	954,460
Investment securities at amortized cost ⁽¹⁾	470,638	472,442	475,024	473,246	473,274	478,312
Total	1,082,117	1,083,921	1,274,327	1,272,549	1,541,575	1,546,613

Notes:

(1) Net of allowances for impairment losses.

The following table sets out an analysis of the Group's total investment portfolio (gross of allowances for impairment losses) by maturity as of 31 December 2025:

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	Due within one year	Due more than 1 to 5 years	Due more than 5 to 10 years	Due more than 10 years	Total
	(₱ millions)				
Investment Securities at FVTPL	101,476	9,829	2,536	—	113,841
Investment Securities at FVOCI	400,734	247,585	274,090	32,051	954,460
Investment Securities at amortized cost.....	10,141	296,319	160,681	6,455	473,596
Total	512,351	553,733	437,307	38,506	1,541,897

Investment Securities at FVTPL

Financial assets at FVTPL are recorded at fair value. Changes in fair value relating to the held-for-trading positions are recognized in profit or loss under trading and securities gain – net. As of 31 December 2023, 2024 and 2025, the Group's financial assets at FVTPL amounted to ₱74.9 billion, ₱226.3 billion, and ₱113.8 billion respectively.

Investment Securities at FVOCI

The following table sets forth, as at the dates indicated, information related to the Group's FVOCI investments.

	As of 31 December					
	2023		2024		2025	
	Book/ Market Value	Net Unrealized Gain (Loss)	Book/ Market Value	Net Unrealized Gain (Loss)	Book/ Market Value	Net Unrealized Gain (Loss)
	(₱ millions)					
Government	489,552	(10,827)	540,994	(8,790)	916,909	(2,244)
Private.....	45,151	663	29,946	106	35,397	132
Total debt securities.....	534,703	(10,164)	570,940	(8,684)	952,306	(2,112)
Equity securities.....	1,920	58	2,061	453	2,154	562
Total	536,623	(10,106)	573,001	(8,231)	954,460	(1,550)

Investment securities at amortized cost

The following table sets forth information related to the Group's investment securities at amortized cost as of 31 December 2025.

	Book Value	Fair Value
	(₱ millions)	
Government	473,082	478,111
Private	192	201
Total	473,274	478,312

Loan portfolio

As of 31 December 2025, the Group's total loan portfolio (receivables from customers) amounting to ₱2.0 trillion represents 50.9% of total assets. Of the Group's total outstanding loans, corporate loans represented 70.8%, commercial loans represented 7.1%, and consumer loans represented 22.1%.

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The following table sets out, for the periods indicated, the allocation of the total loan portfolio (gross of allowance for credit losses and unearned interest and discount) held by the Group among its principal lending units:

	As of 31 December		
	2023	2024	2025
	(₱ millions)		
Corporate loans ⁽¹⁾	1,112,153	1,317,551	1,410,726
Commercial loans ⁽²⁾	116,147	127,660	141,028
Consumer loans	338,746	387,630	441,520
Total	1,567,046	1,832,841	1,993,274

Notes:

(1) Loans granted to large Philippine corporations, generally with total assets of more than ₱100 million.

(2) Loans granted to micro industries and SMEs generally with total assets of ₱100 million or below.

The following table shows the breakdown of consumer loans as at the dates indicated:

	As of 31 December		
	2023	2024	2025
	(₱ millions)		
Mortgage.....	93,394	97,786	104,893
Auto	95,954	113,432	123,329
Credit Cards	146,261	173,084	209,335
Others	3,137	3,328	3,963
Total	338,746	387,630	441,520

The following table sets forth, for the periods indicated, an analysis of the Group's loan portfolio by economic activity, as defined and categorized by the BSP:

	As of 31 December					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(₱ millions, except for %)					
Wholesale and retail trade, repair of motor vehicles and motorcycles.....	204,743	13.1	260,229	14.2	263,444	13.2
Real estate activities	294,634	18.8	327,236	17.8	365,208	18.3
Manufacturing.....	182,083	11.6	198,032	10.8	178,171	8.9
Activities of households as employers and undifferentiated goods and services producing activities for household use.....	2,342	0.1	94,864	5.2	102,074	5.1
Financial and insurance activities	154,732	9.9	176,043	9.6	170,631	8.6
Transportation and storage.....	67,081	4.3	110,927	6.1	123,776	6.2

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Information and communication	100,198	6.4	127,555	7.0	131,767	6.6
Electricity, gas, steam and air conditioning supply	71,806	4.6	79,059	4.1	138,668	7.0
Construction.....	64,362	4.1	72,739	4.0	70,212	3.5
Agricultural, forestry and fishing.....	23,223	1.5	21,875	1.2	23,263	1.2
Accommodation and food service activities	17,455	1.1	13,858	0.7	22,567	1.1
Others	384,387	24.5	353,424	19.3	403,493	20.3
Total	1,567,046	100.0	1,832,841	100.0	1,993,274	100.0

Note: Based on 2009 Philippine Standard Industrial Classification (“PSIC”) per BSP Memorandum No. M-2014-009.

The Group monitors its exposure to specific sectors of the economy such as agriculture to comply with BSP regulations. The BSP regulations currently require all Philippine banks to set aside 25.0% of their loanable funds for loans to the agricultural sector (or invest in eligible securities as an alternative form of compliance). Though Philippine banks have not been required by the BSP to set aside the prior requirement of at least 8.0% of their total loan portfolio for micro and small-sized enterprises and 2.0% for medium-sized enterprises since 2018, the BSP continues to monitor Philippine banks’ exposure to micro, small and medium-sized enterprises.

Loan maturity profile

The following table sets out an analysis of the Group’s total loan portfolio (gross of allowance for credit losses and unearned interest and discount) by maturity:

	As of 31 December					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(₱ millions, except for %)					
Within one year ⁽¹⁾	725,367	46.3	834,909	45.6	844,697	42.4
More than one year	841,679	53.7	997,932	54.4	1,148,577	57.6
Total	1,567,046	100.0	1,832,841	100.0	1,993,274	100.0

Note:

(1) Includes past due loans.

As of 31 December 2025, 42.4% of the Group’s loan portfolio had a maturity of less than one year. The modest growth in the loan portfolio was the result of a selective acquisition of target credits that generated greater profits. The short-term profile of the loan portfolio is adequately matched by the Group’s funding sources, primarily deposits, which have similarly short-term maturities.

Foreign currencies

The following table sets out an analysis of the Group’s total loan portfolio by currency:

	As of 31 December					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(₱ millions, except for %)					
Philippine Peso	1,302,208	83.1	1,539,566	84.0	1,702,532	85.4

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Foreign Currency	264,838	16.9	293,275	16.0	290,742	14.6
Total	1,567,046	100.0	1,832,841	100.0	1,993,274	100.0

As of 31 December 2025, 85.4% of the Group's total loan portfolio was denominated in Pesos and 14.6% was denominated in foreign currency, a substantial proportion of which was in U.S. Dollars.

As a matter of policy, the Group's lending in foreign currency is primarily to customers who have an identifiable source of foreign currency earnings from which to repay the loans, and to importers who have authorisation from the BSP to purchase foreign currency to service their foreign currency related obligations. As such, foreign currency loan exposures accounted for only a small portion of the total loan portfolio over the past years.

Interest Rates

As of 31 December 2025, 73.6% of the Group's total loan portfolio was on a floating rate basis. The Group sets interest rates for Peso-denominated loans based on the Philippine Treasury Bill rate and for U.S. Dollar-denominated loans based on U.S.\$ LIBOR. The floating rate loans are re-priced for interest periods of typically 30 to 90 days.

The following table shows the total amount of the Group's loans that have fixed and floating interest rates:

	As of 31 December					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(₱ millions, except for %)					
Fixed rate	383,828	24.5	463,605	25.3	526,739	26.4
Floating rate	1,183,218	75.5	1,369,236	74.7	1,466,535	73.6
Total	1,567,046	100.0	1,832,841	100.0	1,993,274	100.0

Size and concentration of loans

The Group monitors its financial exposure to its customers in order to ensure that concentration risk is prudently managed. As of 31 December 2025, the Bank's single largest corporate borrower accounted for 3.8% of the Group's total outstanding loan portfolio while the Bank's ten largest borrowers in the aggregate accounted for ₱373.2 billion, or 18.3%, of the Group's outstanding loan portfolio. There are no NPLs in the Group's top ten loan accounts.

The BSP generally prohibits any bank from maintaining a financial exposure to any single person or group of connected persons in excess of 25% of its unimpaired capital as defined by the BSP.

Security

The following table sets out a breakdown of the Group's total loan portfolio by security:

	As of 31 December					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(₱ in millions, except for %)					
Other securities*	262,418	16.8	294,928	16.1	290,673	14.6
Real estate	88,400	5.6	94,333	5.2	100,021	5.0
Chattel	93,544	6.0	102,980	5.6	123,069	6.2
Equity securities	52,186	3.3	60,356	3.3	64,607	3.2
Deposit hold-out	37,781	2.4	46,739	2.6	57,705	2.9

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Others	13,573	0.9	20,768	1.1	21,224	1.1
	547,902	35.0	620,104	33.8	657,299	33.0
Unsecured	1,019,144	65.1	1,212,737	66.2	1,335,975	67.0
Total	1,567,046	100.0	1,832,841	100.0	1,993,274	100.0

*Other securities include mixed collaterals (combination of chattel mortgage, deposit hold-outs), money market placements and surety bond.

Loan classification and loan loss provisioning

Current BSP regulations require Philippine banks to classify loans based on four different categories of risk assets according to their risk profile. All risk assets, in particular the Group's loan portfolio, are either classified or unclassified. 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. In addition to specific allowance for credit losses based on the risk classification, banks are also required to provide general loan loss allowance based on BSP guidelines. The Group undertakes such classifications and levels of provisions in accordance with the BSP regulations for purposes of statutory reporting as a regulated bank, and these requirements may differ from the levels of provisions that the Group is required to maintain pursuant to PFRS Accounting Standards for the purposes of preparing its financial statements. As prescribed by the BSP for regulatory reporting, the Group recognises provision for credit losses based on the higher amount between the BSP classification and the result of impairment in accordance with PFRS 9 (2018) and PAS 39 (2017 and 2016).

The Group reviews its loan portfolio at least annually in accordance with prescribed policy guidelines and BSP categorisation. "Especially mentioned" loans are those loans which have demonstrated minor deficiencies in credit quality but in respect of which repayments on the loans are up to date. "Substandard" loans are those which the Group believes represent a substantial and unreasonable degree of risk to the Group. "Especially mentioned" and "substandard" classifications may also apply to current loans in accordance with BSP regulations. "Doubtful" loans are those in respect of which the Group believes that collection in full, either according to their terms or through liquidation, is highly improbable and that substantial loss is probable. Loans which are considered impossible to collect or worthless are characterised as "loss" loans.

The table below is a summary of the risk classification of the Bank's aggregate loan portfolio as a percentage of total outstanding loans on a non-consolidated basis.

	As of 31 December					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
(₱ millions, except for %)						
Classified						
Especially mentioned.....	20,612	1.5	26,360	1.6	31,992	1.8
Substandard secured and unsecured.....	17,320	1.3	4,928	0.3	7,569	0.5
Doubtful.....	10,093	0.7	11,988	0.8	12,183	0.7
Loss.....	9,414	0.7	11,095	0.7	20,722	1.2
Total classified.....	57,439	4.2	54,371	3.4	72,466	4.2
Unclassified.....	1,306,835	95.8	1,546,614	96.6	1,666,937	95.8
Total	1,364,274	100.0	1,600,985	100.0	1,739,403	100.0

Except for loans classified as substandard which are secured, where BSP guidelines allow the borrower's collateral position to be taken into account, the allowance for credit losses on other classified accounts (especially mentioned, substandard unsecured, doubtful or loss) is based on the total principal balance outstanding without taking account of the value of any realisable collateral. Loans classified as "loss" assets are generally written-off by the Bank in accordance with BSP guidelines. These guidelines allow banks, upon approval by their board of directors, to write off loans, other credit

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accommodations, advances and other assets, regardless of amount, against allowance for credit losses (valuation reserves) or current operations as soon as they are satisfied that such loans, other credit accommodations, advances and other assets are of no value. However, prior approval of the Monetary Board is required to write off loans and advances to directors, officers, stockholders and related interests (**DOSRI**).

The Group's allowance for credit losses on receivables from customers was ₱47.2 billion, ₱42.5 billion, and ₱48.0 billion as of 31 December 2023, 2024, and 2025, respectively. Such loan loss allowance as a percentage of the Group's NPL portfolio, was 180.3%, 163.5% and 140.8% as of 31 December 2023, 2024, and 2025, respectively.

Non-performing loans

The table below sets forth details of the Group's NPLs (as described below), non-accruing loans, investment properties, restructured loans and write-offs for loan losses as of 31 December 2023, 2024, and 2025:

	As of 31 December		
	2023	2024	2025
	(₱ millions, except for %)		
Total NPLs.....	26,180	25,985	34,134
Total loans (gross) ⁽⁵⁾	1,567,406	1,832,841	1,993,274
Total NPLs to total loans (gross) ⁽⁵⁾ (NPL ratio)	1.7%	1.4%	1.7%
Non-accruing loans	31,882	34,337	47,745
Non-accruing loans to total loans (gross) ⁽⁵⁾	2.0%	1.9%	2.4%
ROPA – gross	10,675	10,397	10,755
NPAs ⁽¹⁾	36,855	36,382	44,889
Gross assets ⁽²⁾	3,154,681	3,565,422	3,931,002
NPAs to gross assets	1.2%	1.0%	1.1%
Total allowance for credit and impairment losses ⁽³⁾	48,619	43,852	49,392
Allowance for credit losses – loans	47,211	42,475	48,045
Allowance for impairment losses – ROPA	1,408	1,377	1,347
Allowance for credit losses – loans to total NPLs (NPL coverage ratio)	180.3%	163.5%	140.8%
Total allowance for credit and impairment losses to NPAs.....	131.9%	120.5%	110.0%
Total restructured loans ⁽⁴⁾	5,150	3,914	6,271
Total gross loans net of UID and CI	1,551,409	1,815,103	1,970,076
Restructured loans to total loans (gross) ⁽⁵⁾	0.3%	0.2%	0.3%
Accounts written off – loans	6,867	9,409	3,842
Accumulated depreciation and amortization – ROPA	1,160	1,215	1,293

Notes:

- (1) NPAs comprise of gross ROPA plus NPLs.
- (2) Gross assets pertain to total assets per financial statements plus total allowance for credit and impairment losses and accumulated depreciation and amortisation – ROPA.
- (3) Total allowance for credit and impairment losses comprises of allowance for credit losses on loans and allowance for impairment losses on ROPA.
- (4) Group's restructured loans net of UID as at relevant date, net of loans repaid, written off or foreclosed. Total restructured loans include loans which are undergoing restructuring and still classified as NPLs.
- (5) Total loans (gross) comprise receivables from loans to customers, before deducting unearned discount/capitalised interest and allowance for credit losses. In contrast, loans and receivables as reported in the Group's financial statements, comprise receivables from loans to customers and other receivables, net of unearned discount/capitalised interest and allowance for credit losses.

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Loans are classified as non-accruing (or past due) if (i) any repayment of principal at maturity or any scheduled payment of principal or interest due quarterly (or longer) is not made when due and (ii) in the case of any principal or interest due monthly, if the amount due is not paid and has remained outstanding for three months. In the case of (i), such loans are treated as non-performing if the payment is not made within an additional 30 days. In the case of (ii), such loans are treated as non-performing upon the occurrence of default in payment.

The Bank's NPLs were ₱19.5 billion in 2023 but slightly increased to ₱20.3 billion in 2024 and further to ₱26.8 billion in 2025, and its NPL coverage ratio stood at 190.6%, 173.9%, and 153.1% in 2023, 2024, and 2025, respectively. The Bank's NPL coverage ratio is computed as allowance for credit loan losses of the Bank (₱37.2 billion, ₱35.3 billion and ₱41.1 billion in 2023, 2024 and 2025, respectively) divided by the total NPLs of the Bank (₱19.5 billion, ₱20.3 billion and ₱26.8 billion in 2023, 2024 and 2025, respectively). The Bank's NPL ratio stood at 1.4%, 1.3% and 1.6% for 2023, 2024 and 2025, respectively. The Bank's NPL ratio is computed as total NPLs of the Bank (₱19.5 billion, ₱20.3 billion and ₱26.8 billion in 2023, 2024 and 2025, respectively) divided by the Bank's total gross loans net of UID (₱1.4 trillion, ₱1.6 trillion and ₱1.7 trillion in 2023, 2024 and 2025, respectively).

On the Group level, the Group's NPLs were ₱26.2 billion, ₱26.0 billion and ₱34.1 billion in 2023, 2024 and 2025, respectively, and its NPL coverage ratio was 180.3%, 163.5% and 140.8% in 2023, 2024, and 2025, respectively. The Group's NPL coverage ratio is computed as allowance for credit loan losses of the Group (₱47.2 billion, ₱45.6 billion and ₱48.0 billion in 2023, 2024 and 2025, respectively) divided by the total NPLs of the Group (₱26.2 billion, ₱26.0 billion and ₱34.1 billion in 2023, 2024 and 2025, respectively). The Group's NPL ratio was 1.7%, 1.4% and 1.7% for 2023, 2024, and 2025, respectively.

In order to manage its loan portfolio and reduce its exposure to NPLs, the Group's practice is to restructure those classified loans which it considers suitable for restructuring. The Group restructures loans on a case-by-case basis. Restructuring methods used by the Group include extending the maturity of loans beyond their original maturity date and providing for rescheduled payments of principal consistent with the expected cash flows of the borrower in question. The Group will also consider, in certain circumstances, receiving partial repayments of principal in respect of restructured loans. The Group has also entered into debt-for-equity swap agreements with borrowers, although it is rarely adopted as a restructuring solution.

In accordance with BSP guidelines, in general, NPLs which are successfully restructured are generally considered current and no longer non-performing following three consecutive payments of the required amortisation of principal and/or interest. For restructured loans with capitalised interest and which are not fully secured, six consecutive payments are required for the loan to be considered performing. As of 31 December 2023, 2024 and 2025, the Group had a portfolio of ₱1.2 billion, ₱1.5 billion and ₱1.4 billion of restructured loans which were treated as performing, respectively, representing 21.9%, 37.8% and 22.5% of total restructured loans, respectively.

In accordance with BSP guidelines, loans and other assets in litigation are classified as NPAs. The Group's NPAs principally comprise investment properties and NPLs. The Bank has established its Acquired Assets for sale Disposition Group (AAMDG) to actively manage and, where appropriate, sell its investment properties. The Group has sold ₱1.2 billion, ₱1.1 billion and ₱1.1 billion of ROPAs in 2023, 2024 and 2025, respectively, resulting in a net gain from sale of ₱1.7 billion, ₱355.3 million, and ₱388.0 million, respectively.

Sectoral analysis of NPLs

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 Group's gross NPLs:

	As of 31 December					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
(₱ millions, except for %)						
Manufacturing.....	3,240	17.0	3,845	19.0	3,971	15.0
Real estate activities	973	5.0	818	4.0	776	3.0
Wholesale and retail trade, repair of motor vehicles and motorcycles.....	3,378	17.0	3,456	17.0	3,370	13.0
Construction.....	5,387	28.0	5,056	25.0	4,721	18.0
Transportation and storage.....	91	0.0	102	1.0	61	0.0

SELECTED STATISTICAL DATA

Information and communication.....	222	1.0	209	1.0	32	0.0
Accommodation and food service activities	15	0.0	19	0.0	51	0.0
Financial and insurance activities.....	1	0.0	1	0.0	2	0.0
Agricultural, forestry and fishing.....	2,324	12.0	1,831	9.0	1,924	7.0
Others	3,887	20.0	4,940	24.0	11,919	44.0
Total	19,518	100.0	20,277	100.0	26,827	100.0

Note: The classifications above are based on the 2009 PSIC.

Ten largest NPLs

As of 31 December 2023, 2024 and 2025, the Bank's ten largest NPLs accounted for 0.5%, 0.5%, and 0.4%, respectively, of its total loans to customers and 31.9%, 36.6%, and 26.9%, respectively, of its gross NPLs to customers. The Bank's exposure to its ten largest NPLs ranged from ₱0.3 billion to ₱2.0 billion as of 31 December 2023, 2024, and 2025, and amounted to ₱6.2 billion, ₱7.4 billion and ₱7.2 billion in the aggregate as of 31 December 2023, 2024 and 2025, respectively.

Foreclosure and disposal of assets

Loans that become past due for payment first enter a collection phase whereby the Bank reaches out to the customer in an effort to salvage the loan. When all collection efforts fail for those loans that are secured by collateral, the Bank's special asset management group lending unit recommends foreclosure (as the only remaining course of action) to the Non-Performing Assets Committee (NPAC) for approval. The account is deliberated on, previous efforts to collect are discussed, and the action is recommended to and justified before the NPAC. The NPAC approval and collateral documents are turned over to the in-house counsel of the Remedial & Litigation Division. After reviewing relevant documents, the account is endorsed to an accredited external counsel for the appropriate filing of foreclosure proceedings. External counsel is responsible for the consolidation of the title to the property in the name of the Bank and the writ of possession of the property. However, after the auction and issuance of the certificate of sale, the property is endorsed to the AAMDG as ROPA for sale.

The Bank disposes of its ROPA assets in three ways: (1) through the in-house sales team of AAMDG, (2) through the Bank's nationwide branch network and (3) through external real estate brokers. Sales volumes are generally split equally among the three options. Selling prices for properties are set using external appraisal reports by duly accredited BSP appraisers which, according to policy, must be no less than 12 months old as at the time of price-setting. External appraisal reports and selling prices are updated on an annual basis. On payment terms, nearly all of the ROPA are sold either on a cash basis or through real estate loans from the Bank or third-party banks. Sales are generally done on an as-is, where-is and no recourse basis.

Average Statements of Financial Position and Related Interest

The following tables show the Bank's average balances, interest earned/incurred and average interest rates for the three years ended 31 December 2023, 2024 and 2025. Average balances are generally based on a daily rate.

	For the years ended 31 December								
	2023			2024			2025		
	Average Daily Balance	Interest Income/Expense	Average Yield/Cost (%)	Average Daily Balance	Interest Income/Expense	Average Yield/Cost (%)	Average Daily Balance	Interest Income/Expense	Average Yield/Cost (%)
(₱ millions, except for %)									
Due from BSP and other banks.....	71,480	2,149	3.0%	67,675	1,742	2.6%	35,867	419	1.2%

SELECTED STATISTICAL DATA

Interbank loans receivables and securities purchased under resale agreements	54,437	2,728	5.0%	43,808	2,301	5.3%	34,204	1,385	4.1%
Trading and investment securities	885,699	39,575	4.5%	1,031,127	50,215	4.9%	1,050,577	52,112	5.0%
Loans and receivables	1,251,629	84,789	6.8%	1,421,193	99,661	7.0%	1,591,479	107,082	6.7%
Total assets.....	2,263,245	129,241	5.7%	2,563,803	153,919	6.0%	2,712,127	160,998	5.9%
Deposit liabilities .	2,015,751	33,640	1.7%	2,119,216	42,218	2.0%	2,098,288	35,025	1.7%
Subordinated debts, bills payable and SSURA and other borrowings	141,969	6,600	4.7%	278,721	13,747	4.9%	375,670	18,966	5.1%
Total liabilities....	2,157,720	40,240	1.9%	2,397,937	55,965	2.3%	2,473,958	53,991	2.2%

Analysis of Changes in Interest Income and Interest Expense – Volume and Rate Analysis

The following tables provide an analysis of changes in the Bank's interest income, interest expense, and net interest income between changes in volume (average daily balances) and changes in rates for the year ended 31 December 2023 compared with the year ended 31 December 2024, and the year ended 31 December 2024 compared with the year ended 31 December 2025. Volume and rate variances have been calculated on the movement in average daily balances and the change in the interest rates on average interest earning assets and average interest-bearing liabilities in proportion to absolute volume and rate change. The variance caused by the change in both volume and rate has been allocated in proportion to absolute volume and rate change.

	For the year ended 31 December 2023 compared with the year ended 31 December 2024			For the year ended 31 December 2024 compared with the year ended 31 December 2025		
	Increase (Decrease) due to change in			Increase (Decrease) due to change in		
	Net Change	Average Volume	Average Rate	Net Change	Average Volume	Average Rate
(P millions)						
Interest income on:						
Trading and Investment Securities	10,640	6,477	4,163	1,897	1,182	715
Loans and Receivables.....	14,872	12,444	2,428	7,421	13,617	(6,196)
Interbank Loans, Receivables and Securities Purchased Under Resale Agreements	(427)	(515)	88	(916)	(608)	(308)
Deposit with banks and others	(406)	(424)	18	(1,323)	(1,259)	(64)
Interest expense on:						

SELECTED STATISTICAL DATA

Deposit Liabilities.....	8,577	4,542	4,035	(7,193)	(3,086)	(4,107)
Subordinated Debts, Bills Payable and SSURA and Other Borrowings	7,147	6,656	491	5,220	5,422	(202)
Net Interest Income.....	8,955	6,784	2,171	9,052	10,596	(1,544)

Yields, Spreads and Margins

The following table sets out, for the periods indicated, the yields, spreads and interest margins on the Group's interest-earning assets.

	Years ended 31 December		
	2023	2024	2025
	(P in millions, except for %)		
Interest income on interest-earning assets	153,612	177,664	186,039
Interest expense on interest-bearing liabilities ⁽²⁾	48,014	62,538	59,629
Average interest-earning assets.....	2,701,124	3,036,414	3,430,980
Average interest-bearing liabilities	2,505,890	2,795,761	3,143,733
Average total assets	2,973,996	3,312,629	3,700,336
Average interest-earning assets as a percentage of average total assets	90.8%	91.7%	92.7%
Average interest-bearing liabilities as a percentage of average total assets	84.3%	84.4%	85.0%
Average interest-earning assets as a percentage of average interest-bearing liabilities	107.8%	108.6%	109.1%
Yield ⁽³⁾	5.7%	5.9%	5.4%
Cost of funds ⁽⁴⁾	1.9%	2.2%	1.9%
Spread	3.8%	3.7%	3.5%
Net interest margin ⁽⁵⁾	3.9%	3.8%	3.6%

Notes:

- (1) Average is current year balance plus previous year balance divided by two (note: current and previous years' balances pertain to December 31 year-end balances)
- (2) Interest-bearing liabilities includes deposit liabilities, bills payable and SSURA, bonds payable and subordinated debts.
- (3) Yield is interest income on interest-earning assets divided by average interest-earning assets.
- (4) Cost of funds is interest expense on interest-bearing liabilities divided by average interest-bearing liabilities.
- (5) Net interest margin is the difference between interest earned and interest expended divided by the average interest-earning assets.

Financial Ratios

The following table sets out certain key financial indicators of the Group, for the periods indicated.

	As at and for the years ended 31 December		
	2023	2024	2025
	(P in millions, except for %)		
Common Equity Tier 1 capital ratio ⁽¹⁾	17.4%	15.9%	16.1%
Capital conservation buffer ⁽¹⁾	11.4%	9.9%	10.1%
Tier 1 capital ratio ⁽¹⁾	17.4%	15.9%	16.1%

SELECTED STATISTICAL DATA

Total capital ratio ⁽¹⁾	18.3%	16.7%	16.8%
NPAs.....	36,855	36,382	44,889
Gross ROPA	10,675	10,397	10,755
NPLs	26,180	25,985	34,134
Gross Assets	3,154,681	3,565,422	3,931,002
Total Assets	3,104,902	3,520,355	3,880,317
Add:			
Allowance for credit losses – loans	47,211	42,475	48,045
Allowance for impairment losses – ROPA	1,408	1,377	1,347
Accumulated depreciation and amortisation-ROPA	1,160	1,215	1,293
NPA ratio ⁽²⁾	1.2%	1.0%	1.1%

Notes:

- (1) Capital adequacy ratios as of 31 December 2023, 2024 and 2025 were computed based on Basel III standards.
- (2) Ratio of non-performing assets (gross ROPA plus NPLs) to gross assets (total assets per audited financial statements plus allowance for credit and impairment losses on loans and ROPA and accumulated depreciation and amortisation – ROPA) (see details in section “Selected Statistical Data – Non-performing loans”).

Return on Equity and Assets

The following table presents selected financial ratios for the periods indicated.

	Years ended 31 December		
	2023	2024	2025
	(₪ in millions, except for %)		
Net income ⁽¹⁾	49,720	48,137	42,238
Average total assets	2,973,996	3,312,629	3,700,336
Average shareholders' equity ⁽¹⁾	337,587	371,084	403,604
Return on average assets	1.4%	1.5%	1.3%
Return on average shareholders' equity	12.5%	13.0%	12.3%
Average shareholders' equity as a percentage of average total assets	11.4%	11.2%	10.9%

Notes:

- * Average is current year balance plus previous year balance divided by two (note: current and previous years' balances pertain to December 31 year-end balances)

- (1) Attributable to the equity holders of the Bank.

MANAGEMENT

Board of Directors

The Board of Directors of the Bank (the **Bank's Board**, the **Board of Directors** or the **Board**, and a director thereof, a **Director**), is the body ultimately responsible for the management of the Bank. The Bank's Board is composed of 12 Directors, five of whom are independent Directors. The roles of the chairman and president are separate and clearly defined while the independent directors are a strong source of independent advice and judgment. They bring considerable knowledge and experience to the Bank's Board's deliberations. Directors are elected by the shareholders for a period of one year. Generally, there are no restrictions on re-election. However, beginning on 2 January 2012, the Philippine SEC set a limit on the term of independent directors serving in listed, public, and mutual fund companies. An independent director may only serve as such for a period of five consecutive years after which the Philippine SEC mandates a "cooling off" period of two years. After the cooling off period the independent director may serve as such for another five consecutive years but shall be barred perpetually from being elected as independent director in the same company if he has served as such for ten years. The chairman has a casting vote in resolutions of the Bank's Board which must be passed by majority vote. The senior executive officers carry out the day-to-day operations of the Bank under the direction of the Bank's Board.

The following table sets forth the persons who served as a Director of the Bank as of 31 December 2025:

Name	Age	Citizenship	Position
Arthur Ty	59	Filipino	Chairman of the Board
Francisco C. Sebastian	71	Filipino	Vice Chairman of the Board
Fabian S. Dee	63	Filipino	President/Director
Alfred V. Ty	58	Filipino	Director
Vicente R. Cuna, Jr.	63	Filipino	Director
Solomon S. Cua	70	Filipino	Director
Jose Vicente L. Alde	59	Filipino	Director
Edgar O. Chua	69	Filipino	Independent Director
Atty. Angelica H. Lavares	72	Filipino	Independent Director
Philip G. Soliven	64	Filipino	Lead Independent Director
Marcelo C. Fernando, Jr.	65	Filipino	Independent Director
Juan Miguel L. Escaler	59	Filipino	Independent Director

Mr. Arthur Ty, Filipino, 59 years old, has been the Bank's Chairman since 2012. He was the Bank's President from 2006 to 2012. He has been the Chairman of Metropolitan Bank China (Ltd.) since 2010, the Director of GTCAP since 2007, Vice-Chairman of PSBank since 2001, First Metro Investment Corporation from 2012 to 2020. He earned his Bachelor of Science degree in Economics at the University of California, Los Angeles and obtained his Master's in Business Administration degree from Columbia University, New York.

Mr. Francisco C. Sebastian, Filipino, 71 years old, has been the Vice-Chairman of the Bank since 2006. He joined the Metrobank Group in 1997 as FMIC President and held this position for 13 years until he was appointed as FMIC Chairman from 2011 to 2022. He was the Chairman of GTCAP from 2014 to April 2016 and Vice-Chairman from 2016 to May 2022. He earned his AB degree in Economics, Magna Cum Laude, from the Ateneo de Manila University in 1975.

Mr. Fabian S. Dee, Filipino, 63 years old, became President of Metrobank in 2012. Before becoming President, he headed the National Branch Banking Sector (2006-2012), Account Management Group (2002-2006) and Marketing Center (2001-2002) of Metrobank. He has been a Trustee of Metrobank Foundation, Inc. (MBFI) since 2012; Director of Bancnet since 2015 and President of Bancnet, Inc. since 16 April 2021 and Vice Chairman and Director of FMIC since 2024. He is the Director of Bankers Association of the Philippines from March 2024 to present, from March 2014 to March 2018 and from March 2019 to March 2023. He was the Chairman and Director of Metrobank Card Corporation (MCC) from 2006 to January 2020; Chairman of Metro Remittance Singapore Pte. Ltd. since 2010 to 2019; Chairman of LGU Guarantee

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Corporation from 2017 to 2019; SMBC Metro Investment Corporation from 2014 to 2017. Director of Bancnet from 2015 to 2017. He holds a degree in Management Engineering from the Ateneo de Manila University.

Mr. Alfred V. Ty, Filipino, 58 years old, became a director of Metrobank in September 2015. He has been Chairman of Toyota Motor Philippines Group of Companies since 2019 and Federal Land Group of Companies since 2016. He has been the Vice Chairman of Metro Pacific Investment Corp. since March 2018 and GTCAP since 2012. He graduated with a Bachelor of Science degree in Business Administration from the University of Southern California in 1989.

Mr. Vicente R. Cuna, Jr., Filipino, 63 years old, became a Director of Metrobank in 2014. He has been the Head of Enterprise Services Sector since 2018 and Chairman of PSBank since April 2023. Prior to this, he was the Vice Chairman from April 2018 to 2023 and President from 2013 to 2018 of PSBank; Head of the Bank's Institutional Banking Sector (2012 - 2013) and Corporate Banking Group (2006 - 2012). He was the Director of FMIC from 2011-2015 and Chairman of ORIX Metro Leasing and Finance Corporation (ORIX Metro) from 2016 to 2022. He graduated from the De La Salle University with a degree in AB Economics and pursued further studies at the Ateneo Graduate School of Business.

Mr. Solomon S. Cua, Filipino, 70 years old, is a former Undersecretary of the Department of Finance. He became a Director of Metrobank in 2018. He is currently the Chairman of Philippine AXA Life, Inc. since 2010. He was the Chairman of Charter Ping An Insurance Corporation from April 2016 to December 2022. He has been the Vice Chairman since June 2012 and Director since 2001 of the Philippine Racing Club, Inc.; Adviser of MBCL since 2018 and Director of Grand Titan Capital Holdings, Inc. since 2011. He is also the President of SC & SSC Holdings, Inc. since 2015 and Director/Treasurer of Palm Integrated Commodities, Inc. since 2011. He obtained his Bachelor of Arts (Mathematical Sciences and Economics) degree from the University of Melbourne, Australia; Bachelor of Law degree from the University of Queensland, Australia and Masters of Laws degree from the London School of Economics & Political Science, England.

Mr. Jose Vicente L. Alde, Filipino, 59 years old, became a director of Metrobank in 2022. He is the Chairman of First Metro Insurance and Reinsurance Brokers, Inc (FMIRBI) since May 2024, President of PSBank since 2018 and Director of PSBank since 2016. He is also the Chairman of Sumisho Finance Corporation and a Trustee of Chamber of Thrift Banks. He also served as Director of MCC from 2015 to 2016 and also held various executive positions in ABN AMRO Bank from 1995 to 2007. He holds a Bachelor's, Degree, Cum Laude, in Computer Science from the University of the Philippines and a Master's Degree in Business Management from the Asian Institute of Management (AIM).

Mr. Edgar O. Chua, Filipino, 69 years old, became an independent Director of Metrobank in 2017. He is currently an Independent Director of Shell Philippines Corporation since May 2024 and JG Summit Olefins Corporation since September 2022 and the Chief Executive Officer of Amber Kinetics, Inc. He has been an Independent Director of First Gen since 2021, PhilCement since 2019 and PHINMA. He is also the Chairman of Philippine Eagle Foundation and De La Salle University since 2017 and Makati Business Club since 2016 and Ramon Magsaysay Award Foundation. He is also the Board Advisor of Mitsubishi Motor Phil. Corp and Coca Cola Bottlers Philippines and was the Country Chairman of Shell Companies in the Philippines from September 2003 to October 2016. He holds a degree in BS Chemical Engineering from De La Salle University in 1978 and attended various international seminars and courses including the senior management course at INSEAD in Fontainebleau, France. He was also conferred a Doctor of Humanities Honoris Causa by De La Salle Araneta University in 2018.

Atty. Angelica H. Lavares, Filipino, 72 years old, is a Teaching Fellow at the Institute of Corporate Directors. She became an independent director of Metrobank and Prulife in 2019. She has been an adviser/consultant of the Bank of Commerce since 2015. She was also the Head of Strategic Support Group of Bank of Commerce from 2009 to 2015. Prior to joining Bank of Commerce, she served as Chief Legal Counsel (2003 to 2007), concurrent Chief Compliance Officer and Chief Legal Officer – Legal Services Department (2007 to 2009) and Assistant Corporate Secretary (2007-2009) of Metrobank. She was also Chief Legal Counsel and Head of Legal Services Division for United Coconut Planters Bank (UCPB) from 1999 to 2002 acting concurrently as its Head for Human Resource Division. She obtained her degree in AB Psychology, Cum Laude, from St. Theresa's College, QC in 1973 and a Bachelor of Laws, First Honorable Mention, from the University of the Philippines in 1981.

Mr. Philip G. Soliven, Filipino, 64 years old, is the Lead Independent Director of Metrobank. He became an independent Director of Metrobank in 2020. He is also an independent director of Century Pacific Food, Inc. a PSE Index Company since 2023; Vice Chairman of Multico Prime Power Inc. and Treasurer and Director of The American Chamber of Commerce of the Philippines. He was the former President and Chairman of Cargill Philippines, Inc.; President of Philippine Bio-Industries; and Director of C-Joy Poultry Meats, Inc. He began his professional career with the First National Bank of Boston, working in the Manila, Philippines branch as foreign exchange trader. He moved to the Bank of Boston's corporate headquarters in Boston, Massachusetts in 1984 to assume a role with corporate banking. In 1985, he was assigned to Hong Kong as manager of the Bank's corporate banking business where he occupied a number of positions across Corporate Loan Recovery, Treasury Sales-Foreign Exchange, Debt trading and Trade Services. He relocated to Singapore in 1992 as Vice-President for Corporate Banking covering corporate banking clients in Singapore, Indonesia and Thailand. Apart from his professional affiliations, he holds Directorships in non-profit institutions such as The Rotary Club of Makati and the Advancement for Rural Kids. He holds a degree in Business Management from the Ateneo de Manila University.

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Mr. Marcelo C. Fernando, Jr., Filipino, 65 years old, became an independent Director in 2021. He has been a Director of AIC Group of Companies Holding Corp. since September 2018 and was the Senior Vice President for Group Treasury Head/Corporate Treasurer of SM Investments Corporation (SMIC), a minority shareholder of the former from 2015 to 2020. He was the Managing Director of Citibank, N.A. Philippines from 1986 to 2015 and has also served as Country Treasurer in the Philippines and Thailand. He was the Managing Director and had regional responsibilities as Citibank's Markets Head for the ASEAN cluster. He obtained his Bachelor of Arts Degree in Economics in 1982 from the University of the Philippines, Diliman (Cum Laude) and graduated with Distinction from the Asian Institute of Management's Master's in Business Management program in 1986. Mr. Fernando obtained his Fellowship from the Institute of Corporate Directors (ICD) in 2015 . ,

Mr. Juan Miguel L. Escaler, Filipino, 59 years old, became an Independent Director of Metrobank in 2022. He is the Country CEO and Director of Trusting Social AI Philippines. He also holds several Directorship positions in other companies like PASUDECO, Pointwest Technologies, Inc. and M. De Leon Inc. He was a former Co-Head of Investment Banking at Credit Suisse Philippines from 2012 to 2017 and an Executive Director at Goldman Sachs Singapore from 2008 to 2012. His vast banking experience includes his previous roles in Merrill Lynch Singapore as Director, ING Bank Manila as Vice President, and ING Bank New York as trader. He holds a degree in BS Management, with Honors from the Ateneo De Manila University and an MBA from Columbia University.

The following table shows the shareholdings of each current Director in the Bank as of 31 December 2025:

Name	No. of Shares Directly Held	% of Total Shares
Arthur Vy Ty	15,627,513	0.35%
Alfred Ty	17,087,722	0.38%
Francisco C. Sebastian	1,442,283	0.03%
Fabian S. Dee.....	734	0.00%
Marcelo C. Fernando, Jr.	100	0.00%
Edgar O. Chua	113	0.00%
Philip G. Soliven.....	30,100	0.00%
Jose Vicente L. Alde.....	100	0.00%
Vicente R. Cuna, Jr.....	129	0.00%
Solomon S. Cua	113	0.00%
Angelica H. Lavares	113	0.00%
Juan Miguel L. Escaler	100	0.00%

MANAGEMENT

Senior Management

The members of senior management, subject to control and supervision of the Board, collectively are in charge of all business activities of the Bank. They are responsible for the implementation of the policies set by the Board of Directors. The following is a list of the Bank's executive officers as of 31 January 2026:

Name	Age	Citizenship	Position
Vicente R. Cuna, Jr.	63	Filipino	Senior Executive Vice President; Head of Enterprise Services Sector
Fernand Antonio A. Tansingco.....	59	Filipino	Senior Executive Vice President; Head of Financial Markets Sector/Treasurer
Mary Mylene A. Caparas.....	61	Filipino	Executive Vice President, Head of Institutional Banking Sector
Renato K. De Borja, Jr.	54	Filipino	Executive Vice President, Head of Financial and Control Sector
Antonio R. Ocampo, Jr.	55	Filipino	Executive Vice President, Office of the President
Angelica S. Reyes.....	52	Filipino	Executive Vice President, Head of Trust Banking Group
Nelson G. See	54	Filipino	Executive Vice President, Head of Branch Banking Sector
Ramon Jaime L.V. Del Rosario	49	Filipino	Executive Vice President, Head of Consumer Business Sector
Anthony Paul C. Yap.....	49	Filipino	Executive Vice President, Head of Overseas Banking Group
Adhunik	52	Indian	Senior Vice President, Head of Information Technology Group
Karen Salve L. Angeles	43	Filipino	Senior Vice President, Head of Human Resources Group
Charlotte T. Bilongilot.....	46	Filipino	Senior Vice President, Head of Credit Group
Christine Y. Castillo	59	Filipino	Senior Vice President, Head of General Services Group
Hiroko M. Castro	56	Filipino	Senior Vice-President, Head of Credit Operations Group
Bablyn A. Catacutan	50	Filipino	Senior Vice-President, Head of Internal Audit Group
Anna Therese Rita D. Cuenco	52	Filipino	Senior Vice-President, Head of Consumer Lending Group
Hierbert A. Dimagiba	48	Filipino	Senior Vice President, Chief Marketing Officer and Head of the Analytics, Brand, Communications & Marketing Technology Group (ABCMTG)
Rommel Enrico C. Dionisio.....	53	Filipino	Senior Vice President, Head of Corporate Banking Group
Frances Gail E. Male	50	Filipino	Senior Vice President, Head of Credit Cards, Personal Loans and Retail Digital Channels Group
Maria Nelia S. Medalla.....	58	Filipino	Senior Vice President, Head of Branch Banking-Metro Manila
Christian Paul Philippe L. Orlino.....	49	Filipino	Senior Vice President, Group Head of Institutional Transaction Banking Group

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Ricardo Leon N. Pedrosa	55	Filipino	Senior Vice President, Head of Trust Banking Group
Christopher Hector L. Reyes.....	51	Filipino	Senior Vice President, Head of Commercial Banking
Jose Antonio O. Vasco.....	56	Filipino	Senior Vice President, Head of Operations Group
Randell D. Victoriano.....	58	Filipino	Senior Vice President, Head of Branch Banking – Countryside
Marie Chorie Candice R. Chan.....	53	Filipino	First Vice President, Head of Investment Distribution under Financial Markets Sector
Ma. Victoria D. Delos Santos	53	Filipino	First Vice President, Head of Branch Operations Support Group
Ken Brian P. Lamzon.....	52	Filipino	First Vice President, Deputy Head of Operations Group under Consumer Business Sector
Happy Mar S. Lomigo	49	Filipino	First Vice President, Officer-in-Charge of Risk Management Group
John Christopher C. Lu.....	43	Filipino	First Vice President, Head of Treasury Group
Maricel L. Madrid.....	46	Filipino	First Vice President, Controller
Janella Marie R. Panlilio.....	47	Filipino	First Vice President, Head of Legal & Remedial Services Group under Financial and Control Sector
Reynaldo C. Siochi	59	Filipino	First Vice President, Head of Operations Control Group under Financial and Control Sector
Noel Peter Z. Yuesco	57	Filipino	First Vice President, Head of Special Accounts Management Group

Involvement in Legal Proceedings

To the Bank's best knowledge and information, there have been no material legal proceedings filed by or against Metrobank's directors and executive officers during the past five years up to the date of this Offering Circular that are related to any of the following events:

1. any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
2. any conviction by final judgment, including the nature of the offence, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
3. being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
4. being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

Corporate Governance

As part of its increasing focus on corporate governance, the Bank established ten Board committees, seven of which are chaired by independent directors: namely the Anti-Money Laundering Committee, Audit Committee, Corporate Governance and Compensation Committee, Nominations Committee, Related Party Transaction Committee, Risk

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Oversight Committee and Trust Committee. The composition and details for each Board committee are fully disclosed in the Bank's corporate governance manual as presented on the Bank's website.

Anti-Money Laundering Committee

The Anti-Money Laundering Committee is tasked to assist the Board in fulfilling its oversight responsibility over the Bank's AML Compliance Management to make sure that the Bank complies with the provisions of the Anti-Money Laundering Act (AMLA), as amended, its revised implementing rules and regulations, and other related regulations. The committee is composed entirely of four (4) Non-Executive Directors, two (2) of whom are Independent Directors, including the Chairperson. It meets every other month or as often as necessary.

Audit Committee

The Audit Committee (AC) assists the Board in fulfilling its statutory and fiduciary responsibilities, enhancing shareholder value, and protecting shareholder's interest through (a) effective oversight of internal and external audit functions and controls, transparent and proper reporting, compliance with laws and the Code of Conduct, and implementation of adequate and effective internal controls. It is also responsible for selecting, appointing or reappointing, and dismissing the internal auditor and independent external auditor, following fair and transparent criteria. The committee is composed of three (3) Non-Executive Directors, two (2) of whom are Independent Directors, including the Chairperson. The committee meets monthly or as often as necessary.

Corporate Governance and Compensation Committee

The Corporate Governance and Compensation Committee assists the Board in fulfilling its corporate governance responsibilities and providing oversight in the implementation of the Bank's Compliance System. Among the committee's responsibilities is establishing a remuneration policy for directors and officers that is consistent with the Bank's culture and business strategy and in accordance with industry practices. The committee is composed of three (3) Independent Directors, including the Chairperson, and is supported by the Corporate Governance Officer. .

Executive Committee

The Executive Committee is primarily responsible for the review and approval of credit proposals and credit policies within its authority and limits, as well as provide recommendations or conditions to lending. The Committee may also act on other matters as delegated by the Stockholders, and the Board of Directors within its competence and in accordance with the By-Laws of the Bank.

Information Technology Steering Committee

The committee is chiefly responsible for governing and overseeing the information technology (IT) resources and ensures the alignment of the Bank's IT strategies with the business objectives. It also supervises the IT Risk Management Program and lends its competence by helping develop policies, controls, and specific accountabilities in line with the IT Risk Management Framework. The Board delegated to the committee the approval of IT-related requests and services/arrangements, including outsourcing/ insourcing activities. The committee submits periodic reports about the IT performance, status of major IT projects, and other significant issues on IT risk matters. The committee is also expected to provide periodic reports to the Board regarding overall IT performance, status of major projects and other significant issues related to IT risks. It is composed of four (4) directors, the Deputy Head of Financial and Control Sector, and the Head of the Information Technology Group.

Nominations Committee

The Nominations Committee reviews and evaluates the qualifications of all persons nominated to the Board. Moreover, it also reviews the qualifications of those nominated to other positions that require Board approval. The committee is composed entirely of independent directors, including the chairperson.

Overseas Banking Committee

The committee oversees the operational conduct and financial performance of the overseas branches and subsidiaries. It also serves as the Board's oversight on Metrobank expatriates assigned to countries without a foreign office, but with

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remittance tie-up arrangements. It also helps the Board ensure the overseas branches and subsidiaries' compliance with the rules and regulations in their host countries and their adherence to the business and corporate governance policies. The committee is composed of three (3) Non-Executive Directors.

Related Party Transactions Committee

The Related Party Transactions Committee (**RPTC**) assists the Board in ensuring that transactions with related parties are reviewed to assess risks, are subject to appropriate restrictions to ensure that such are conducted at arm's-length terms and that corporate or business resources of the Bank are not misappropriated. The committee consists of three Independent Directors, meets monthly, and is supported by the Bank's Compliance Officer.

Risk Oversight Committee

The Risk Oversight Committee, as an extension of the Board, is primarily responsible for the development and oversight of the risk management framework of the Group and its Trust Banking division. The committee is entirely composed of non-executive directors, of which three are Independent Directors, including the Chairperson (who may not be the Chairman of the Board or the chairperson of any other committee).

Trust Committee

The Trust Committee is responsible for the oversight of all Trust activities. Its mandate is to act within the sphere of authority as provided by the pertinent rules and regulations in the exercise of fiduciary powers under the BSP Manual or Regulations for Banks and BSP Circular No. 766 – Guidelines in Strengthening Corporate Governance and Risk Management Practices on Trust, Other Fiduciary Business, and Investment Management Activities. The committee is composed of three (3) Non Executive Director, the President, and a Trust Officer. The Chairperson is an Independent Director and is not a part of the Audit Committee.

FAMILY RELATIONSHIPS

1. The family relationships among the directors and/or senior officers of the Bank are: Chairman, Arthur Ty is related to the following:

Name	Position Held in the Bank	Relationship
Alfred Ty	Director	Brother
Zandra M. Ty	First Vice President	Wife

2. Director Alfred Ty, is related to the following:

Name	Position Held in the Bank	Relationship
Arthur Ty	Chairman	Brother
Zandra M. Ty	First Vice President	Sister-in-law

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RELATED PARTY TRANSACTIONS

The Bank, in its regular conduct of business, has entered into transactions with its associate and other related parties principally consisting of cash advances for reimbursement of expenses, merger and acquisitions and capital infusion, leasing agreements and management agreements. Transactions with related parties are made at normal market prices. For a description of the related party transactions of the Bank, see also the respective note on Related Party Transactions in the Bank's financial statements.

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 or if they are subjected to common control or common significant influence such as subsidiaries and associates of subsidiaries or other related parties. Related parties may be individuals or corporate entities.

The Group has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially same terms, including interest and collateral terms, as those prevailing at the time for comparable transactions with unrelated parties. These transactions did not involve more than the normal risk of collectability or present other unfavorable conditions.

In the ordinary course of business, the Group has loan transactions with investees and certain DOSRI (as discussed in BSP Circular No. 423 dated 15 March 2004, as amended). Existing banking regulations limit the amount of individual loans to DOSRI, 70.00% of which must be secured, to the total of their respective deposits and book value of their respective investments in the lending company within the Group. In the aggregate, loans to DOSRI generally should not exceed the respective total equity or 15.00% of total loan portfolio, whichever is lower, of the Bank, PSBank, First Metro and ORIX Metro.

The following table shows information on related party loans as reported to the BSP:

	2025		2024	
	DOSRI Loans	Related Party Loans	DOSRI Loans	Related Party Loans
Total outstanding loans (₱ millions)	5,341	99,712	7,032	79,707
Percent of DOSRI/related party loans to total loan portfolio	0.26%	4.88%	0.37%	4.20%
Percent of unsecured DOSRI/related party loans to total DOSRI/related party loans	9.19%	99.39%	11.57%	99.30%
Percent of past due DOSRI/related party loans to total DOSRI/related party loans	0.04%	0.03%	0.02%	0.01%
Percent of non-performing DOSRI/related party loans to total DOSRI/related party loans	0.02%	0.02%	0.01%	0.01%

BSP Circular Nos. 560 and 654 provided the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks which require that the total outstanding loans, other credit accommodations and guarantees to each of the bank's/quasi-bank's subsidiaries and affiliates shall not exceed 10.00% while a separate individual limit of 25.0% for those engaged in energy and power generation, of the net worth of the lending bank/quasi-bank, provided that the unsecured portion of which shall not exceed 5.0% or 12.5% respectively, of such net worth. Further, the total outstanding loans, credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20.0% of the net worth of the lending bank/quasi-bank; and the subsidiaries and affiliates of the lending bank/quasi-bank are not related interest of any director, officer and/or stockholder of the lending institution, except where such director, officer or stockholder sits in the board of directors or is appointed officer of such corporation as representative of the bank/quasi-bank as reported to the BSP. As of 31 December 2025 and 2024, the total outstanding loans, other credit accommodations and guarantees to each of the Bank's subsidiaries and affiliates did not exceed 10.0% of the Bank's net worth, as reported to the BSP, and the unsecured portion did not exceed 5.0% of such net worth wherein the total outstanding loans, other credit accommodations and guarantees to all such subsidiaries and affiliates represent

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11.9% and 11.3%, respectively, of the Bank's net worth. The Bank has no outstanding loans, other credit accommodations and guarantees to subsidiaries and affiliates engaged in energy and power generation.

Total interest income on the DOSRI loans in 2023, 2024 and 2025 amounted to ₱461.9 million, ₱419.3 million and ₱406.0 million, respectively, for the Group and ₱457.1 million, ₱407.3 million and ₱393.7 million, respectively, for the Bank.

The year-end balances as of 31 December 2023, 2024 and 2025 in respect of subsidiaries included in the Bank's financial statements are as follows (amounts in millions):

	2023	2024	2025
Loans and receivables.....	₱1,719	₱3,615	₱4,629
Deposit liabilities.....	4,715	6,439	5,840

The income and expenses for the years ended 31 December 2023, 2024 and 2025 in respect of subsidiaries included in the Bank's financial statements are as follows (amounts in millions):

	2023	2024	2025
Interest income.....	₱401	₱119	₱144
Interest expense	125	235	394

The effects of the foregoing transactions are shown under the appropriate accounts in the Bank's financial statements.

THE PHILIPPINE BANKING INDUSTRY

The banking industry in the Philippines is composed of universal banks, commercial banks, rural banks, thrift banks (including savings and mortgage banks, private development banks and stock savings and loan associations), cooperative banks and Islamic banks.

According to data from the BSP, specifically its report on the Physical Network of the Philippine Banking System, as of 31 December 2025, 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 (3), three 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, receive deposits, 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. According to data from the BSP, as of 31 December 2025, there were 42 thrift banks (including microfinance-oriented banks).

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. According to data from the BSP, as of 31 December 2025 there were 371 rural and cooperative banks.

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 of 31 December 2025, there were 6 digital banks.

Specialized government banks are organized to serve a particular purpose. The existing specialized banks are the Development Bank of the Philippines (**DBP**), Land Bank of the Philippines (**LBP**), and AI-Amanah Islamic Investment Bank of the Philippines (**AAIIB**). DBP was organized primarily to provide banking services catering to the medium- and long-term needs of agricultural and industrial enterprises, particularly in rural areas and preferably for small- and medium-sized enterprises. LBP primarily provides financial support in all phases of the Philippines' agrarian reform program. In addition to their special functions, DBP and LBP are allowed to operate as universal banks. AAIIB was organized to promote and accelerate the socio-economic development of the Autonomous Region of Muslim Mindanao through banking, financing and investment operations and to establish and participate in agricultural, commercial and industrial ventures based on Islamic banking principles and rulings.

During the past decade, the Philippine banking industry has been marked by two major trends — the liberalisation 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. Under the General Banking Law, any foreign bank, which prior to the effectiveness of the said law availed itself of the privilege to acquire up to 60% of the voting stock of a domestic bank, may further acquire voting shares of such bank to the extent necessary for it to own 100% of the voting stock thereof. As of 31 December 2025, there were 24 foreign banks with branches and two (2) foreign banks with subsidiaries in the Philippines. As at 31 March 2018, foreign banks accounted for 7.0% of the total resources of the Philippine banking system. Under RA 10641 and BSP Circular No. 858, Series of 2014 dated 21 November 2014 which amended the relevant provisions of the MORB implementing RA 10641, established, reputable and financially sound foreign banks may be authorized by the Monetary Board to operate in the Philippine banking system through any one of the following modes of entry: (a) by

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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 Bank, United Overseas Bank and Hua Nan 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.

The BSP has also been encouraging mergers and consolidations in the banking industry, seeing this as a means to create stronger and more globally competitive banking institutions. To encourage this trend, the BSP offered various incentives to merging or consolidating banks. On 11 October 2012, BSP Circular No. 771 was issued in order to grant incentives for investors who purchase a controlling stake in a bank. Accordingly, the coverage of relief incentives for mergers and consolidations now includes the purchase and acquisition of a majority of all of the outstanding shares of stock of a bank. Based on BSP data, since the new package of incentives took effect in September 1998, there have been an increasing number of mergers, acquisitions, and consolidations of banks. However, while recent mergers increased market 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 15 February 2016 to implement the phased lifting of the moratorium on the grant of new banking license or establishment of new domestic banks and Memorandum No. M-2016-023 dated December 21, 2016 which provides the sample list of possible incentives for mergers or consolidations and/or acquisitions of majority or all of the outstanding shares of stock of a bank. As provided in the Circular, the suspension of the grant of new banking licenses or the establishment of new banks under the Manual 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 1 January 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 Solutions.

In December 2020, the BSP signed BSP Circular No. 1105 - guidelines for establishing digital banks in the Philippines - subjecting digital banks to the prudential requirements set out by the BSP, including with respect to corporate governance and risk management.

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 of the latest available date:

Name	Market Capitalization ⁽¹⁾	Total Equity ⁽²⁾	Total Assets ⁽²⁾	Loans and Receivables – net ⁽²⁾	Total Deposits ⁽²⁾	No. of Branches ⁽³⁾
(in ₱ millions, except number of branches)						
BDO Unibank, Inc	730,291	644,146	5,431,556	3,694,508	4,189,791	1,894
Metropolitan Bank & Trust Co	315,943	432,167	3,880,317	1,976,438	2,660,956	967
Bank of the Philippine Islands	611,863	473,631	3,706,634	2,587,839	2,839,955	1,277

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Philippine National Bank.....	91,546	240,280	1,374,834	740,018	1,061,203	935
China Banking Corporation ..	169,555	191,298	1,781,688	1,038,027	1,444,597	647

Notes:

- (1) Market Capitalization as of 03 February 2026.
- (2) Financial data taken from Bank of the Philippine Islands' statement of condition as of 31 December 2025, and BDO Unibank, Inc.'s, Metropolitan Bank & Trust Co.'s, Philippine National Bank's, and China Banking Corporation's audited financial statements as of 31 December 2025.
- (3) Number of branches of Metropolitan Bank & Trust Co., BDO Unibank, Inc., and Bank of the Philippine Islands as of 31 December 2025, and China Banking Corporation and that of Philippine National Bank as of 30 September 2025.

According to a quarterly Senior Bank Loan Officers' Survey conducted by BSP for the fourth quarter of 2025, local banks were generally inclined to maintain their credit standards for businesses and households. A slight increase in the number of respondent banks reported broadly unchanged overall credit standards for enterprise loans, while there was a slight decrease in the number of respondent banks who reported unchanged credit standards for household loans. An overall unchanged credit standard for business and household loans points to the expectations of a majority of the respondent banks that demand for business and household loans will increase in 2026.

The BSP issued BSP Circular No. 839, Series of 2014 dated 27 June 2014 which adopts a prudential real estate stress test limit (**REST Limit**) for universal and commercial banks, thrift banks on a solo and consolidated basis on their aggregate real estate exposures. The REST Limit combines macro prudential overlay of a severe stress test scenario, the principle of loss absorbency through minimum capital ratio thresholds and heightened supervisory response.

The prudential REST Limits which shall be complied with at all times by universal and commercial banks are 6% of CET1 capital ratio and 10% of risk-based capital adequacy ratio, on a solo and consolidated basis, under the prescribed write-off rate. For thrift banks, the prudential REST Limits which shall be complied with at all times are 6% of CET1 capital, for thrift banks that are subsidiaries of universal and commercial banks, 6% of Tier 1 capital, for stand-alone thrift banks, and 10% of risk-based capital adequacy ratio for all thrift banks.

On 20 August 2020, the BSP issued Circular No. 1093 which expanded the real estate loan limit for universal and commercial banks from 20% to 25%. The REST Limit has also been amended to apply to the following real estate exposures: commercial real estate loans, investment in debt securities issued by land developers/construction companies and other corporate borrowers, such as real estate brokers, real estate lessors, property management companies, for purposes of financing real estate activities, and investments in equity securities issued by land developers/construction companies and other corporate borrowers, such as real estate brokers, real estate lessors and property management companies, for purposes of financing real estate activities. Under the Circular, the manner of computing the REST Limit was revised to remove residential real estate for own occupancy as well as land developers and construction companies for the development of socialized and low-cost housing which was included in the previous regulations. The real estate exposures shall not include loans and investments in debt and equity securities the proceeds of which are used to finance infrastructure projects for public use.

On 29 October 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. On 24 August 2022, the BSP issued Circular No. 1151 further amending the former circular's rules on rural banks. 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

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Bank Category/Network Size	Previous Minimum Capitalization (₱)	Current Minimum Capitalization (₱)
Up to 10 branches*		4.00 billion
11 to 100 branches*		10.00 billion
More than 100 branches*		15.00 billion
Thrift Banks		
Head Office in:		
Metro Manila	1.00 billion**	
Cebu and Davao cities	500 million**	
Other Areas	250 million**	
Head Office in the National Capital Region (NCR)		
Head Office only.....		500 million
Up to 10 branches*		750 million
11 to 50 branches*		1.00 billion
More than 50 branches*		2.00 billion
Head Office in All Other Areas Outside NCR		
Head Office only.....		200 million
Up to 10 branches*		300 million
11 to 50 branches*		400 million
More than 50 branches*		800 million
Rural and Cooperative Banks.....		
Head Office in:		
Metro Manila	100 million**	
Cebu and Davao cities	50 million**	
Other cities.....	25 million**	
1st to 4th class municipalities	10 million**	
5th to 6th class municipalities.....	5 million**	
Head Office in NCR		
Head Office only.....		50 million
Up to 5 branches*		50 million
6 to 10 branches*		120 million
More than 10 branches*		200 million
Head Office in All Other Areas Outside NCR (All Cities up to 3rd Class Municipalities).....		
Head Office only.....		20 million
Up to 10 branches*		30 million
11 to 50 branches*		40 million
More than 50 branches*		80 million
Head Office in All Other Areas Outside NCR (4th to 6th Class Municipalities)		
Head Office only.....		10 million

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Bank Category/Network Size	Previous Minimum Capitalization (₱)	Current Minimum Capitalization (₱)
Up to 10 branches*		15 million
11 to 50 branches*		20 million
More than 50 branches*		40 million

Notes:

* Inclusive of Head Office

** With no distinction for network size

The amendment became effective in November 2014, as further amended on September 2022.

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 21 January 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 1 January 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 of 30 September 2025, the ten largest commercial banks (including unlisted banks such as LBP and DBP) account for approximately 82% 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 30 September 2025, the ten largest commercial banks (including unlisted banks such as LBP and DBP) account for approximately 80% 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.

BANKING REGULATION AND SUPERVISION

The following description is a summary of certain sector specific laws and regulations in the Philippines, which are applicable to the Bank. The information detailed in this chapter has been obtained from publications available in the public domain. The regulations set out below may not be exhaustive and are only intended to provide general information to the investors and are neither designed nor intended to substitute for professional legal advice or a detailed review of the relevant laws and regulations.

Introduction

RA No. 7653 (the New Central Bank Act of 1993) (**New Central Bank Act**) and RA No. 8791 (the General Banking Law of 2000) (**General Banking Law**) and RA No. 11211 (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 Manual of Regulations for Banks (**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 Manual), 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 Manual), 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 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 Republic Act No. 9160 or the Anti-Money Laundering Act (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 Manual.

The Manual is the principal source of rules and regulations to be complied with and observed by banks in the Philippines. The Manual 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 Manual are rules and regulations promulgated in various circulars, memoranda, letters and other directives issued by the Monetary Board.

The Manual 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

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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 Manual, 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 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 20 October 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. Existing banks that will not immediately meet the new minimum capital requirement may avail of a five-year transition period to fully comply. Such banks will be required to submit an acceptable capital build-up programme. Banks that fail to comply with the minimum capital requirements or fail to propose an acceptable capital build-up programme face curtailment of future expansion plans.

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 100 branches (inclusive of head office), and ₱2 billion for head office with more than 100 branches (inclusive of head office). 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 million for head office with 6 to 10 branches (inclusive of head office), and ₱200 million for head office with

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more than 10 branches (inclusive of head office). These minimum levels of capitalization may be changed by the Monetary Board from time-to-time. Further, in April 2023, the BSP issued Circular No. 1173 wherein the BSP modified the minimum capitalization of conventional banks with Islamic banking units. This BSP Circular provides that: (a) the minimum capitalization requirements for a universal bank shall apply to an Islamic Bank. A conventional bank that is a commercial bank or a subsidiary of a universal or commercial bank, which complies with the minimum capital requirements applicable to its respective banking category, may be allowed to operate an Islamic banking unit within a reasonable transitory period not exceeding five (5) years reckoned from the date of BSP approval; provided, that, after the transitory period, such conventional bank shall have the minimum capitalization requirement applicable to an Islamic Bank. These minimum levels of capitalization may be changed by the Monetary Board from time-to-time.

For purposes of these requirements, the BSP issued BSP Circular No. 1164 on 5 January 2023 which states that the term “capital” shall be synonymous to unimpaired capital and surplus, combined capital accounts and net worth and shall refer to the total of the unimpaired paid-in capital, including paid-in surplus, retained earnings and undivided profits. The following are to be added to capital:

- Deposits for stock subscription recognized as equity pursuant to Section 123 of the 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) and other capital adjustments as may be required by the BSP;
- total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI granted by the bank;
- total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates;
- total outstanding unsecured loans, other credit accommodations and guarantees granted to related parties as defined under Subsection X141.1 of the Manual, 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 28 December 2018, deposits for stock subscription recognized as equity pursuant to Section X128 of the Manual shall be added to capital.

On 15 July 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 6 November 2014, the Monetary Board issued Resolution No. 1794 providing for the implementing rules and regulations of RA 10641 and on 21 November 2014, the BSP issued BSP Circular No. 858, amending the relevant provisions of the Manual, accordingly. On 15 February 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.

Under the General Banking Law, foreign individuals and non-bank corporations, Filipinos and domestic non-bank corporations may own or control up to 40% of the voting stock of a domestic bank. In determining the percentage of foreign-owned voting stock in a bank, the citizenship of the individual stockholders in that bank shall be considered.

The 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 Manual for universal and commercial banks and their subsidiary banks and quasi-banks;
- higher loss absorbency requirement, phased-in starting 1 January 2017 with full implementation by 1 January 2019, in accordance with the D-SIB Framework as provided under Section 128 of the Manual 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 13 October 2008, which provides for BSP’s branching policy and guidelines, the Bank may apply to the BSP for the establishment of branches outside its principal or head office. Generally, only universal/commercial and thrift banks may establish branches on a nationwide basis. Pursuant to BSP Circular No. 759, issued on 30 May 2012, 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. It permitted a bank to establish as many branches as its qualifying capital can support in accordance with existing rules.

Pursuant to BSP Circular No. 505, issued on 22 December 2005, banks are allowed to establish branches in the Philippines, except in the cities of Makati, Mandaluyong, Manila, 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 23 June 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 30 June 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 Manual. 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 (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 Manual, 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.

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

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

On 22 August 2017, the BSP issued BSP Circular No. 971, prescribing the Guidelines on Risk Governance for *Bangko Sentral* 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 Chief Compliance Officer (CCO). The CCO is tasked to oversee the identification and management of the BSFI's compliance risk and shall supervise the compliance function staff. Additionally, the board of directors should ensure that a compliance program is defined for the BSFI and that compliance issues are resolved expeditiously. For this purpose, a board-level committee, chaired by a non-executive director, shall oversee the compliance program.

On 4 January 2018, BSP Circular No. 989 was issued providing the Guidelines on the Conduct of Stress Testing Exercises. Stress testing is a tool to evaluate the potential effects of specified changes in risk factors 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 18 February 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 8 April 2021, BSP issued circular No. 1112, which provides the amendments to the Operational Risk Management of BSP-supervised financial institutions (BSFIs). The BSP recognizes that one of the major sources of operational risk is "people risk". The BSP mandates BSFIs to be stringent in its recruitment and selection process and in the performance management of its personnel. In connection with this circular, the Human Resource Department of BSFIs shall require all those who passed the initial stage of pre-employment screening to accomplish the Authorization Form for Querying (AFQ) the Bangko Sentral Records.

On 23 August 2022, the BSP issued Circular No. 1149 which provided for guidelines on prudent conduct of investment activities and the minimum practices that a bank should establish for the management and control of risks associated with its investments. The guidelines cover all of a bank's investments in the trading and banking books, excluding (a) investments that grant control over an enterprise and are accounted for using the equity method, (b) transactions in derivatives involving standalone contracts, and (c) receivables arising from repurchase agreements. Under the circular, a bank is mandated to institute a risk management system to manage the risks arising from its investment activities. This system includes having (1) board and senior management oversight; (2) policies, procedures, and limits that provide a framework for managing investment activities; (3) risk measurement, monitoring and management information systems; and (4) internal controls and audit.

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

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

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

On 25 July 2019, the BSP issued Circular No. 1042 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 7 February 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 1 July 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 1 January 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 1 January 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 15 January 2013, the BSP issued the implementing guidelines for the adoption on 1 January 2014 of the revised capital standards under the Basel III accord for universal and commercial banks.

The guidelines set new regulatory ratios for banks to meet specific minimum thresholds for CET1 capital and Tier 1 capital in addition to the capital adequacy ratio. The BSP maintained the minimum capital adequacy ratio 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 1 January 2014.

On 29 October 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

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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 1 January 2017 and became fully effective on 1 January 2019. On 27 September 2019, the BSP issued Circular No. 1051, entitled Amendments to BSP Circular No. 1051 (**BSP Circular No. 1051**), which amended the framework for dealing with D-SIBs provided under BSP Circular No. 856.

Under BSP Circular No. 1051, the minimum HLA requirement for the lower bucket shall be 1.5% of risk-weighted assets at all times. For the higher populated bucket, the HLA requirement shall range from above 1.5% to 2% of risk-weighted assets. An empty top bucket with HLA requirement of 2.5% of risk-weighted assets shall also be maintained. The differentiated HLA requirement for D-SIBs slotted under the higher-populated bucket is to be based on the ranking of a bank's overall systemic importance through the use of the indicator-based measurement approach. An equation is provided in BSP Circular No. 1051 for computing the additional loss absorbency requirement for D-SIBs slotted under the higher-populated bucket.

Bucket	Score Range	Minimum additional HLA requirement (CET1 capital as a percentage of risk-weighted assets)
3 (empty)	B-C	2.5%
2	A-B	>1.5%. to 2.0%.
1	Cut-off point – A	1.5%.

The HLA requirement shall also be on top of the combined requirement for CCB and CCyB, as determined under BSP Circular No. 1051. Restrictions on distributions are provided under BSP Circular No. 1051, depending on the CCyB rate of the bank. However, payments which do not result in the depletion of CET1 capital are not considered capital distributions. The total CET1 capital requirement for D-SIBs will be as follows:

A. CCyB rate is at 0%:

Bucket	Minimum CET1 Requirement (a)	CCB (b)	CCyB (c)	D-SIB HLA Requirement (d)	Total Additional CET1 Requirement (b+c+d)	Total Required CET1 (a+b+c+d)
3 (empty)	6.0%	2.5%	0%	2.5%	5%	11.0%
2*	6.0%	2.5%	0%	2%	4.5%	10.5%
1	6.0%	2.5%	0%	1.5%	4.0%	10.0%

*Assuming an HLA requirement of 2%

B. CCyB rate is at 2.5%:

Bucket	Minimum CET1 Requirement (a)	CCB (b)	CCyB (c)	D-SIB HLA Requirement (d)	Total Additional CET1 Requirement (b+c+d)	Total Required CET1 (a+b+c+d)
3 (empty)	6.0%	2.5%	2.5%	2.5%	7.5%	13.5%
2*	6.0%	2.5%	2.5%	2.0%	7.0%	13.0%
1	6.0%	2.5%	2.5%	1.5%	6.5%	12.5%

*Assuming an HLA requirement of 2%

Transitional arrangements for the HLA requirement will be implemented. In the case of banks included in the first list of D-SIBs (to be released in June 2015 based on December 2014 data), compliance with the HLA requirement was phased-in starting 1 January 2017, with full compliance on 1 January 2019. Under BSP Circular No. 856, further lists of D-SIBs will be issued until 31 December 2021. After the phase-in period, banks identified as D-SIBs will have 18 months to comply with the required HLA. However, the BSP has decided in 2022 not to issue the list of D-SIBs to minimize potential misrepresentation of the list as an endorsement of selected banks.

Data Cut-Off	Release of D-SIBs List	Compliance Period
December 2014	June 2015	Phased in: 1 January 2017 – 1 January 2019
December 2015	June 2016	Phased in: 1 January 2018 – 1 January 2019
December 2016	June 2017	1 January 2019 – 31 December 2019
December 2017	June 2018	1 January 2020 – 31 December 2020
December 2018	June 2019	1 January 2021 – 31 December 2021

BSP Circular No. 1051 likewise imposes capital distribution constraints should a D-SIB's capital fall within a specified range (subject to phased-in implementation and other provisions of the circular):

A. CCyB rate is at 0%

Restrictions on Distributions	Level of CET1 Capital	
	Bucket 1	Bucket 2*
No distribution (until the minimum CET1, the combined requirement for CCB and CCyB, and more than 50% of the D-SIB HLA requirements are met; and conditions (a) and (c) below are complied with)	<=9.25%	<=9.50%
50% of earnings may be distributed (if the minimum CET1, the combined requirement for CCB and CCyB, and more than 50% of the D-SIB HLA requirements are met; and conditions (a) and (c) below are complied with.	>9.25%. - 10.0%	>9.50%. – 10.5%

*Assuming an HLA requirement of 2%

B. CCyB rate is at 2.5%

Restrictions on Distributions	Level of CET1 Capital	
	Bucket 1	Bucket 2*
No distribution (until the minimum CET1, the combined requirement for CCB and CCyB, and more than 50% of the D-SIB HLA requirements are met; and conditions (a) and (c) below are complied with)	<=11.75%	<=12.00%
50% of earnings may be distributed (if the minimum CET1, the combined requirement for CCB and CCyB, and more than 50% of the D-SIB HLA requirements are met; and conditions (a) and (c) below are complied with.	>11.75%. – 12.50%	>12.00%. – 13.00%

*Assuming an HLA requirement of 2%.

A D-SIB will not be subject to any restriction on distribution if the following conditions are met:

- 1) Positive retained earnings as of the preceding quarter and compliance with the regulatory requirements for the declaration of dividends;
- 2) Compliance with total required CET1 and D-SIBS HLA requirement (under the circular) before distribution; and
- 3) Compliance with minimum capital ratios after distribution.

D-SIBs will also be subjected to greater supervisory requirements such as additional disclosures and reports in its ICAAP).

These requirements may lead to the Bank having to hold even higher minimum levels of capital compared with the levels above, should it be designated as a D-SIB by the BSP.

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 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. The guidelines also provide for a monitoring period up to end-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.

On 26 January 2017, the BSP issued Circular No. 943 which approved the one-year extension of the Basel III Leverage Ratio monitoring period from 31 December 2016 to 31 December 2017, and set new deadlines for the submission of the reporting and disclosure requirements. During the monitoring period, the BSP will continue to assess the calibration and treatment of the components of the leverage ratio. 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 22 January 2018, the BSP issued BSP Circular No. 990 which approved the extension of the Basel III Leverage Ratio monitoring period from 31 December 2017 to 30 June 2018, and set new deadlines for the submission of the reporting and disclosure requirements. The monitoring of the leverage ratio shall be implemented as a Pillar 1 minimum requirement effective on 1 July 2018.

Further, local banks face new liquidity requirements, namely, the LCR and the NSFR, under Basel III. The LCR requires banks to hold sufficient level of High Quality Liquid Assets (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 spillovers to the real economy, compliance with these ratios may also further increase competition among banks for deposits as well as HQLAs. In March 2016, the Monetary Board approved the LCR framework with an observation period from 1 July 2016 until the end of 2017, during which banks are required to commence reporting their LCR to the BSP. On 1 January 2018, the LCR threshold that banks will be required to meet will be 90%, which will be increased to 100% commencing on 1 January 2019. The Monetary Board also expects to release an exposure draft of NSFR requirements within 2016. Based on news reports, the BSP targets the release of the NSFR rules this year, although no such rules have yet been released as of the date of this Offering Circular. The internationally agreed start date for the phase-in of liquidity requirements is 1 January 2015. On 12 February 2016, the Monetary Board approved the guidelines on the submission of a recovery plan by D-SIBs which shall form part of the D-SIBs' ICAAP submitted to the BSP every 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 30 June 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 30 June 2016 and will be re submitted on the 31st of March of each year.

In addition, Basel III capital rules for banks include setting up a 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 6 December 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 1 January 2019.

On 27 September 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 9 June 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 1 January 2017 (which compliance period was extended to 1 January 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 26 January 2017, the BSP issued BSP Circular No. 943 which approved the one-year extension of the Basel III Leverage Ratio monitoring period from 31 December 2016 to 31 December 2017, and set new deadlines for the submission of the reporting and disclosure requirements. During the monitoring period, the BSP will continue to assess the calibration and treatment of the components of the leverage ratio. 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 22 January 2018, the BSP issued BSP Circular No. 990 which approved the extension of the Basel III Leverage Ratio monitoring period from 31 December 2017 to 30 June 2018, and set new deadlines for the submission of the reporting and disclosure requirements. The monitoring of the leverage ratio shall be implemented as a Pillar 1 minimum requirement effective on 1 July 2018.

On 28 April 2020, the BSP issued Memorandum No. M-2020-034 which relaxed the credit risk weight for loans to MSMEs under the BSP's risk-based capital adequacy frameworks. Banks' exposure to qualified MSMEs, those that meet the criteria and the current MSME exposures that do not qualify as a highly diversified MSME portfolio, will only be assigned a credit risk weight of 50%, down from 75% previously.

On 29 November 2018, the Monetary Board approved the Philippine adoption of the CCyB intended for universal and commercial banks as well as their subsidiary banks and quasi-banks. The CCyB will be complied with by the banks using their CET1 capital. During periods of stress, the Monetary Board can lower the CCyB requirement, effectively providing the affected banks with more risk capital to deploy. During periods of continuing expansion, the CCyB may be raised which has the effect of setting aside capital which can be used if difficult times ensue. The CCyB is set initially at a buffer of 0%, which is line with global practice. The buffer, however, will be continuously reviewed by the BSP. Banks will be given a lead time of 12 months in the event that the CCyB buffer is raised. However, when the buffer is reduced, it takes effect immediately.

On 4 May 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 3 August 2011, as further amended by BSP Circular No. 753 issued on 29 March 2012, BSP Circular No. 830 issued on 3 April 2014, BSP Circular No. 832 issued on 27 May 2014, BSP Circular No. 997

issued on 15 February 2018, BSP Circular No. 1004 issued on 24 May 2018, BSP Circular No. 1041 issued on 29 May 2019, BSP Circular No. 1054 issued 11 October 2019, BSP Circular No. 1063 issued on 3 December 2019 and BSP Circular No. 1082 issued on 31 March 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 long-term negotiable certificates of time deposits; and (e) 3% against bonds.

On 15 October 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 24 October 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 31 March 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 3 April 2020.

Since 31 July 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 11 March 2025, the BSP further reduced the reserve against deposit and deposit substitute liabilities in local currency of banks effective reserve week starting 28 March 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, 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 22 April 2020, the BSP issued Circular No. 1083 as part of the Government's financial assistance program to the micro, small and medium sized-enterprises (**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:

- (1) That the MSME loan was granted after 15 March 2020;
- (2) 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 24 April 2020 to 30 December 2021.

On 27 July 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 31 July 2020.

On 8 October 2020, the BSP issued Circular No. 1100 which amended Circular No. 1087 issued 27 May 2020. It provided the following allowable alternative modes of compliance with the required reserves against deposit and deposit substitute liabilities:

- (1) 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.
 - i) That the loan was granted, renewed or restructured after 15 March 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;
 - ii) That the loan was granted on or before 15 March 2020 but has been renewed or restructured after 15 March 2020 provided, that the bank demonstrates an increase in its MSME loan portfolio during the month preceding the reserve day.
 - iii) That the MSME loan is not hypothecated or encumbered in any way, or rediscounted with the BSP, or earmarked for any other purpose.

- iv) The use of MSME loans as allowable alternative compliance with the reserve requirement shall be available to banks/NBQBs from 24 April 2020 to 29 December 2022, subject to early closure of the eligibility window by the Monetary Board, if warranted and with prior notice.
- (2) Peso-denominated loans that are granted to large enterprises, excluding banks and NBQBs, subject to the following conditions:
 - i) That the loan was granted, renewed or restructured after 15 March 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;
 - ii) That the loan was granted on or before 15 March 2020 but has been renewed or restructured after 15 March 2020 provided, that the bank demonstrates an increase in its loan portfolio to large enterprises during the month preceding the reserve day.
 - iii) 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.

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 30 June 2023 shall remain eligible for such purpose until said loans are fully paid but not later than 31 December 2025; provided, however, that such MSME loans and loans to large enterprises which subsequently become past due or non-performing, or are extended, renewed, or restructured, shall no longer be eligible as alternative compliance with the reserve requirement. The outstanding balance of MSME loans and loans to large enterprises that are utilized by these banks as compliance with the required reserves as of 30 June 2023 shall not be increased but may be reduced and once reduced, said loans shall not be increased thereafter.

New MSME loans and loans to large enterprises granted after 30 June 2023 by banks shall not be eligible as alternative compliance with the reserve requirement.

On 23 June 2023, the BSP issued Memorandum Circular No. 1175, reducing the reserve requirements against deposit and deposit substitute liabilities (i.e., demand deposits, NOW accounts, savings deposits, time deposits, negotiable CTDs, long-term non-negotiable tax exempt CTDs and deposit substitutes) in local currency of banks, with effect from 30 June 2023 as follows (a) for universal banks from 12% to 9.5%; (b) for thrift banks from 3% to 2%; and (c) for rural and cooperative banks from 2% to 1%. It also provides the reserve requirements against deposit and deposit substitutes in local currency for digital banks which was set at 6%.

On 13 December 2023, the BSP issued Circular No. 1185 granting a gradual reduction of the reserve requirement rate from 1% for the first year from effectivity thereof, to 0% in the succeeding year, effective for another twelve (12) months, against new and outstanding sustainable bonds issued by banks. BSP Circular No. 1227, issued 5 January 2026, subsequently extended these regulatory incentives until 6 January 2028.

On 11 February 2026, BSP Circular No. 1229 further adjusted the rules on reserves effective reserve week starting 27 February 2026. Under this Circular, long-term negotiable CTDs were reduced to 0% for universal, commercial, thrift, rural, and cooperative banks, while other bonds lowered to 2% for universal, commercial, and digital banks, and to 0% for thrift banks. Mortgages or CHM certs for thrift banks are also subject to a 0% reserve requirement. In addition, a 0% reserve shall be maintained against all issues of mortgage/ chattel mortgage certificates effective the same reserve period.

Liquidity requirements

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

In March 2016, the Monetary Board approved the LCR framework with an observation period from 1 July 2016 until the end of 2017, during which banks are required to commence reporting their LCR to the BSP. Starting 1 January 2018, the LCR threshold that banks will be required to meet will be 90%, which was increased to 100% commencing on 1 January 2019. On 8 February 2018, the BSP issued BSP Circular No. 996 which amended the LCR framework and extended its

coverage to subsidiaries of universal and commercial banks and quasi-banks on both solo (head office and branches/other offices) and consolidated (parent bank and subsidiary financial allied undertakings) bases.

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

Meanwhile, the NSFR requires that banks' assets and activities are structurally funded with long-term and more stable funding sources. On 6 June 2018, the BSP issued BSP Circular No. 1007 which sets out the guidelines on the adoption of the Basel III Framework on Liquidity Standards – NSFR. The guidelines require that covered entities maintain an NSFR of at least 100% at all times. The framework applies to all universal and commercial banks, their subsidiary banks, and quasi-banks. The Circular provides for an observation period until 31 December 2018, during which NSFR Reports must be submitted and should a covered entity be unable to meet the minimum NSFR for a period of two consecutive weeks, it must immediately adopt a board-approved stable funding build-up plan. On 15 March 2019, the Monetary Board approved the extension of the observation period for the NSFR of the subsidiary banks and quasi banks of universal and commercial banks until 31 December 2019, moving the effectivity dates of said ratios to 1 January 2020. During the extended observation period, subsidiary banks and quasi-banks of universal and commercial banks are required to comply with a 70% LCR and NSFR, which shall increase to 100% on 1 January 2020. The Monetary Board also approved enhancements to the LCR and minimum liquidity ratio guidelines, including netting of cash inflows and outflows to and from the same derivative counterparty for the LCR framework, and counting interbank placements as eligible liquid assets and adjusting qualifying liabilities through conversion factors to retail current and regular savings deposits worth ₱500,000 and below and certain liability accounts. The internationally agreed start date for the phase-in of liquidity requirements is 1 January 2015.

Both the LCR threshold and the NSFR threshold are now at 100%, following the full implementation of the provisions of Circulars 1035 and 1034, respectively. On 13 February 2020, the BSP issued Memorandum No. M-2020-003 which provided guidelines on the electronic submission of the Basel III Net Stable Funding Ratio (**NSFR**) Report and Liquidity Coverage Ratio Report (**LCR**). It states that all subsidiary banks and quasi-banks must observe the guidelines for the live implementation of the NSFR and LCR reports beginning reporting period ended 31 January 2020, in line with BSP Circular Nos. 1034 and 1035 both dated 15 March 2019 on the Amendments to the Basel III Framework on Liquidity Standards - Net Stable Funding Ratio and the Amendments to the Basel III Liquidity Coverage Ratio Framework and Minimum Liquidity Ratio Framework.

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

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

BANKING REGULATION AND SUPERVISION

As a general rule, loan and other credit accommodation against real estate shall not exceed 60% of the appraised value of the real estate security plus 60% of the appraised value of the insured improvements, and such loans may be made to the owner of the real estate or to his assignees, except for the following which shall be allowed a maximum value of 70% of the appraised value of the insured improvements: (a) residential loans not exceeding ₱3.5 million to finance the acquisition or improvement of residential units; and (b) housing loans extended by or guaranteed under the Government's "National Shelter Programme," such as the Expanded Housing Loans Programme of the Home Development Mutual Fund and the mortgage and guaranty and credit insurance programme of the Home Insurance and Guaranty Corporation. Prior to lending on an unsecured basis, a bank must investigate the borrower's financial position and ability to service the debt and must obtain certain documentation from the borrower, such as financial statements and tax returns. Any unsecured lending should be only for a time period essential for completion of the operations to be financed. Likewise, loans against chattels and intangible properties shall not exceed 75% of the appraised value of the security and such loans may be made to the title-holder of the unencumbered chattels and intangible properties or his assignee.

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

To better monitor the banking industry's exposure to the property sector, the BSP in September 2012 approved the guidelines that effectively widened the scope of banks' real estate exposures to include mortgages and loans extended to the following: individuals to finance the acquisition/construction of residential real estate for own occupancy as well as land developers and construction companies for the development of 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 27 June 2014, the BSP issued BSP Circular No. 839 requiring banks to undergo real estate stress tests while setting prudential limits for banks' real estate exposures to ensure that they have adequate capital to absorb potential losses to the property sector. Universal and commercial banks as well as thrift banks must meet a capital adequacy ratio of 10% of qualifying capital after adjusting for the stress test results. Further, universal and commercial banks and their thrift bank subsidiaries are required to maintain a level of CET1 capital that is at least 6% of qualifying capital after factoring in the stress scenario. In addition, banks are mandated to submit quarterly report of their real estate exposures, in line with the new real estate stress test capital requirements.

On 10 October 2017, the BSP issued BSP Circular No. 976 which approved amendments to the expanded report on the real estate exposure of banks, and required the submission of a report on project finance exposures to enable the BSP to gather more granular information regarding these exposures. It also clarified the definition of loans to finance infrastructure projects for public use that are currently exempt from the 20% limit on real estate loans.

On 23 November 2017, the BSP issued BSP Circular No. 983 that prescribes the reduction in the reserve requirement rate on repurchase transactions, as well as sets forth the features of the repurchase program that shall be eligible for the zero-reserve rate requirement. Deposit substitutes evidenced by repurchase agreements covering government securities that are transacted in an 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 20 August 2020, the BSP issued Circular No. 1093 which amends the real estate limits of banks. The previous limit of 20% on real estate exposure of universal and commercial banks had been increased to 25%. The REST Limit has also been amended to apply to the following real estate exposures: commercial real estate loans, investment in debt securities issued by land developers/construction companies and other corporate borrowers, such as real estate brokers, real estate lessors, property management companies, for purposes of financing real estate activities, and investments in equity securities issued by land developers/construction companies and other corporate borrowers, such as real estate brokers, real estate lessors and property management companies, for purposes of financing real estate activities. Under the Circular, the manner of computing the REST Limit was revised to remove residential real estate for own occupancy as well as land developers and construction companies for the development of socialized and low-cost housing which was included in the previous regulations. The real estate exposures shall not include loans and investments in debt and equity securities the proceeds of which are used to finance infrastructure projects for public use.

On 4 January 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 31 December 2021, provided certain conditions are met.

On 23 August 2022, the BSP issued Circular No. 1149 which provided for guidelines on prudent conduct of investment activities and the minimum practices that a bank should establish for the management and control of risks associated with its investments. The guidelines cover all of a bank's investments in the trading and banking books, excluding (a) investments that grant control over an enterprise and are accounted for using the equity method, (b) transactions in derivatives involving stand-alone contracts, and (c) receivables arising from repurchase agreements. Under the circular, a bank is mandated to institute a risk management system to manage the risks arising from its investment activities. This system includes having (1) board and senior management oversight; (2) policies, procedures, and limits that provide a framework for managing investment activities; (3) risk measurement, monitoring and management information systems; and (4) internal controls and audit.

Credit Quotas for Agricultural and Fisheries Financing

Republic Act No. 11901, or the Agricultural, Fisheries and Rural Development Financing Enhancement Act of 2022, mandated all private and public banking institutions to set aside at least 25% of their total loanable funds for agriculture and fisheries credit in general.

Banks may comply with this requirement by lending to rural community beneficiaries to finance agricultural and fishery-related activities. Banks may also comply through the following methods:

1. Invest in debt securities, provided that the proceeds therefrom will be used to finance agricultural and fishery-related activities;
2. Open deposit accounts and/or invest in fixed term deposit products with rural finance institutions;
3. Rediscount with banks eligible paper covering agriculture, fisheries, and agrarian reform credits;
4. Invest directly in shares of stock of rural finance institutions or lend wholesale to such institutions;
5. Lend for the construction and upgrading of infrastructure that will benefit the rural community;
6. Lend to agri-business enterprises that maintain agricultural commodity supply-chain arrangements directly with rural community beneficiaries;
7. Undertake agricultural value chain financing to actors/players in the agricultural value chain that benefits rural communities;
8. Engage in sustainable finance;
9. Invest in shares of stock of the Philippine Crop Insurance Corporation; and
10. Provide financing to electronic platforms that will facilitate agricultural value chain financing and supply chain financing transactions among actors in agriculture.

Banks which fail to comply or only partially comply with the minimum requirements shall be penalized by the BSP with an amount equivalent to 0.5% of the amount of non-compliance or under-compliance or at such other rates as the BSP in the future might impose. The provisions related to the mandatory credit quota of 25% shall cease to be effective 10 years from the approval of Republic Act No. 11901 or in 2032.

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 of 31 December 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, non-perishable goods which must be fully covered by insurance, (b) an additional 25% of the net worth of the bank provided that: (i) the additional loans, credit accommodations and guarantees are used to finance the infrastructure and/or development projects under 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 6 December 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 14 March 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 5 July 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 30 April 2018, the BSP issued BSP Circular No. 1001 which provided for a separate individual limit of 25.0% of the net worth of the lending bank for loans, credit accommodations and guarantees granted by a bank to an entity for the purpose of project finance. The applicability of the separate individual limit shall be subject to the following conditions: (a) the unsecured portion shall not exceed 12.5% of the net worth of the lending bank when the project is already operational; (b) such project finance loans are for the purpose of undertaking initiatives that are in line with the priority programs and projects of the government; (c) the lending bank shall ensure that the standard prudential controls in project finance loans designed to safeguard creditors' interests are in place, which may include pledge of a borrower's shares, assignment of the borrower's assets, assignment of all revenues and cash waterfall accounts, and assignment of project document; (d) the lending bank shall consider its total project finance exposures in complying with the guidelines in managing large exposures and credit risk concentrations; (e) the subsidiary or affiliate is not a related interest of any of the director, officer, and/or stockholder of the lending bank; and (f) the total outstanding loans, other credit accommodations and guarantees to all subsidiaries and affiliates shall be subject to the aggregate limits for related party transactions.

On 10 February 2020, the BSP issued Circular No. 1073 which extended the transitory period on single borrower's limit of foreign bank branches to until 31 December 2020. On 4 January 2021, the BSP issued Memorandum No. M-2021-002 again extending the transitory period. Existing foreign branches shall be given until 31 December 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 19 March 2020, Memorandum No. M-2020-057 dated 21 July 2020, Memorandum No. M-2021-026 dated 26 April 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 31 December 2022.

On 22 July 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 1 August 2020 to 31 July 2021, and not exceeding sixty (60) days, if acquired after 1 August 2021.

On January 4, 2021, the BSP issued Memorandum No. M-2021-002 granting regulatory relief to foreign bank branches with respect to their compliance with the 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 5 January 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 13 December 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. BSP Circular No. 1227, issued 5 January 2026, subsequently extended these regulatory incentives until 6 January 2028.

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 2 June 2016, the Monetary Board approved the revisions to prudential policy on loans, other credit accommodations, and guarantees granted to DOSRIs. The Monetary Board approved the exclusion of loans, other credit accommodation and guarantees granted by a bank to its DOSRI for the purpose of project finance from the 30% 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 23 June 2016, the BSP issued BSP Circular No. 914, Series of 2016 amending the prudential policy on loans, other credit accommodations, and guarantees granted to DOSRI, subsidiaries and affiliates. BSP Circular No. 914 has raised the ceilings on the exposures of subsidiaries and affiliates of banks to priority programs particularly infrastructure projects under the Philippine Development Plan/Public Investment Program (**PDP/PIP**) needed to support economic growth. The exposures to subsidiaries and affiliates in PDP/PIP projects will now be subject to higher individual and unsecured limits of 25% instead of 10% and 12.5% instead of 5% of the net worth of the lending bank, respectively, subject to conditions. Further, the circular also provides for a refined definition of "related interest" and "affiliates" to maintain the prudential requirements and pre-empt potential abuse in a borrowing transaction between the related entities. The circular also amends the capital treatment of exposures to affiliates by weighing the risk of both the secured and unsecured loans granted to the latter.

On 23 December 2020, the BSP issued BSP Circular No. 1107, wherein the Monetary Board approved the prudential requirements for designated clearing and settlement banks for purposes of compliance with DOSRI regulations, as well as foreign currency deposit unit (**FCDU**) asset cover and minimum capital requirements. The Monetary Board approved the exclusion of The terms loans, other credit accommodations and guarantees by Interbank call loan transactions, and short-term exposures of designated clearing and settlement bank to other financial institutions that own or control directly or indirectly such clearing and settlement bank, pursuant to its function as designated clearing and settlement bank. Short-term

exposures shall cover payment transactions pertaining to fund transfer services, check clearing, foreign exchange trades, security trades, security custody services, and other short-term payment transactions that pass through a clearing and settlement account. An exposure is considered short-term if the placement of funds into a clearing and settlement account does not exceed five (5) banking days. The designated clearing and settlement bank shall adopt appropriate control measures to ensure that the account opened in financial institutions that own or control directly or indirectly such clearing and settlement bank is maintained exclusively for facilitating the clearing and settlement of short-term transactions, and said account is not subject to a minimum balance requirement.

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 4 February 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 10 October 2017, the BSP issued Circular No. 976 which approved amendments to the expanded report on the real estate exposure of banks and required the submission of a report on project finance exposures to enable the BSP to gather more granular information regarding these exposures. It also clarified the definition of loans to finance infrastructure projects for public use that are currently exempt from the 20% limit on real estate loans.

On 27 October 2017, the BSP issued BSP Circular No. 978 which provided for exclusion of the portion of loans and other credit accommodation covered by guarantees of international/regional institutions/multilateral financial institutions where the Philippine Government is a member/shareholder, from the ceilings on total outstanding loans, other credit accommodations and guarantees granted to banks' subsidiaries and affiliates. BSP Circular No. 978 excluded the following in determining compliance with the ceilings provided under BSP Circular No. 914: (1) Loans, other credit accommodations and guarantees secured by assets considered as non-risk under existing BSP regulations; (2) 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 20 August 2020, the BSP Circular No. 1093 expanded the real estate loan limit for universal and commercial banks from 20% to 25%.

On 3 November 2020, the BSP approved Circular No. 1098, which imposed a 24% annual interest rate ceiling on all credit card transactions, except credit card installment loans which shall be subject to monthly add-on rate not exceeding 1%, subject to review by the BSP every six months.

On 19 January 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 the any approval of a major investment and has the authority to seek corrective action.

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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 26 November 2019, the BSP issued Memorandum 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 4 February 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 23 August 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 8 August 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. Banks shall 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.

On 18 February 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;

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- 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 16 May 2018, outlined the Guidelines on the Establishment and Operations of Bank and Non-Bank Credit Card Issuers to implement Republic Act No. 10870, also known as the Philippine Credit Card Industry Regulations Law.

The Framework for Basic Deposit Accounts, found in BSP Circular No. 992 dated 1 February 2018, was issued, with a view towards promoting account ownership among the unbanked by imposing no minimum maintaining balance and an opening amount of not more than ₱100.00. It also supports the National Retail Payments System, which aims to promote resort to digital payments in the country. On 5 October 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 19 July 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

Republic Act No. 9160 or the Anti-Money Laundering Act of 2001 as amended (AMLA), 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 15 February 2013, Republic Act No. 10365, which took effect on 7 March 2013, expanded the AMLA covered institutions and crimes. Additions to the enumeration of covered persons include jewellery 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 21 December 2016. On 15 March 2017, the BSP issued BSP Circular No. 950 to amend the Manual 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, RA 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

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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:

- transacts said monetary instrument or property;
- converts, transfers, disposes of, moves, acquires, possesses or uses said monetary instrument or property;
- conceals or disguises the true nature, source, location, disposition, movement or ownership of or rights with respect to said monetary instrument or property;
- attempts or conspires to commit money laundering offenses referred to in paragraphs (a), (b) or (c);
- aids, abets, assists in or counsels the commission of the money laundering offenses referred to in paragraphs (a), (b) or (c) above;
- 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
- 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. Banks are also required to report to the AMLC any suspicious transactions and all covered transactions within 5 working days from occurrence thereof, unless the AMLC prescribes a different period not exceeding 15 working days.

Under AMLA, banks, as covered persons, are required to report to the AMLC all covered transactions and suspicious transactions within a period of five working days from occurrence thereof, unless the AMLC prescribes a different period not exceeding 15 working days. The Court of Appeals of the Philippines (**Court of Appeals**), upon verified ex-parte

application by the AMLC and after determination that probable cause exists that any monetary instrument or property is in any way related to an unlawful activity as defined in the AMLA, has the authority to issue a freeze order which shall be effective immediately, and which shall not exceed six months depending upon the circumstances of the case. 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 11 December 2024, the AMLC issued Regulatory Issuance No. 2, Series of 2024 on 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 20 September 2005, as amended by BSP Circular 527 issued on 28 April 2006, required all universal and commercial banks to adopt an electronic money laundering transaction monitoring system by 14 October 2007. The said system should, at the minimum, be able to detect and raise to the bank's attention, transactions and/or accounts that qualify either as "covered transactions" or "suspicious transactions" as defined under AMLA.

BSP Memorandum No. M2012-017 issued on 4 April 2012, as affirmed by BSP Circular No. 950 issued on 15 March 2017 likewise requires all covered banking institutions to comply with the anti-money laundering risk rating system (**ARRS**), a supervisory system that aims to ensure that mechanisms to prevent money laundering and terrorist funding are in place and effectively implemented in banking institutions. Under the ARRS, each institution is rated based on the following factors: (a) efficient board of directors and senior management oversight; (b) sound anti-money laundering policies and procedures embodied in a money laundering and terrorist financing prevention program duly approved by the board of directors; (c) robust internal controls and audit; and (d) effective implementation. BSP Circular No. 950, further provides for specific requirements on having a risk-based approach to customer identification by covered institutions, an ongoing monitoring of customers, accounts, and transactions, and a policy of non-discrimination against certain types of customers.

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 20 April 2018, the AMLC issued AMLC Letter No. AMLET-18-03, providing for Operational Guidelines in the Conduct of the 2018 Third Round Mutual Evaluation of the Philippines (the **Guidelines**). The Guidelines aim to (a) create an inter-agency Mutual Evaluation Working Group and sub-working groups; (b) enumerate the functions and obligations of the member-agencies with respect to the Mutual Evaluation process; (c) outline the Mutual Evaluation process and provide guidance as to the different components of the process; (d) provide timelines for the Mutual Evaluation process and Mutual Evaluation-related activities; (e) enumerate effects of a "non-compliant" or "poor" Mutual Evaluation; and (f) lay down the framework towards the adoption of a national anti-money laundering/counter-financing of terrorism (**AML/CFT**) Strategy. The Guidelines are addressed to all participating government agencies and other entities.

The Mutual Evaluation is a government-wide concern as what will be assessed is the compliance of the Philippines with the Financial Action Task Force Forty Recommendations and the effectiveness of its AML/CFT regime. The entire Mutual Evaluation process spans two (2) years, and will require the support and active participation of various government agencies, including supervisory authorities, law enforcement agencies, and public and private stakeholders. The Philippines will be evaluated by a pool of experts from Financial Intelligence Units from other member-jurisdictions of the Asia-Pacific Group on Money Laundering (**APG**), pursuant to the APG's membership rules.

On 22 November 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 14 January 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 17 November 2021, the AMLC issued Regulatory Issuance No.8 providing for the guidelines on the preservation, management, and disposal of assets subject of a freeze order, asset preservation order, and judgment of forfeiture.

On 29 January 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.

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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 23 November 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 29 April 2024, the BSP issued Circular No. 1193 which amended the relevant regulations of the BSP on money laundering/terrorist/proliferation financing reporting and notification requirements. The Circular was issued to enable the BSP to have timely and accurate information on significant risk events arising from money laundering/terrorist/proliferation financing-related activities and or transactions, as part of its risk-based anti-money laundering and countering the terrorism and proliferation financing supervision.

On 29 January 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 30 March 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 4 July 2023, the Office of the President issued Memorandum Circular No. 33, adopting the National Anti-Money Laundering/Counter-Terrorism Financing/Counter-Proliferation Financing Strategy 2023-2027. This strategy outlines seven strategic objectives designed to address the risks and deficiencies in the Philippines’ AML/CFT systems. Each objective includes action plan items to be completed by relevant government agencies.

The strategy aims to respond to findings from the 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 21 February 2025, the AMLC announced the removal of the Philippines from the FATF’s Grey List. According to the AMLC, the Philippines’ exit from the FATF 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 20 February 2019 and became effective on 8 March 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 Securities and Exchange Commission (Commission) 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 (NSSLAs), 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 to 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 Commission approves any merger or consolidation; or any voluntary dissolution.
- In case of transfer of shares of listed companies, the Commission may require that these corporations whose securities are traded in trading markets and which can reasonably demonstrate their capability to do so, to issue their securities or shares of stock in uncertificated or scripless form in accordance with the Rules of the Commission.

The Revised Corporation Code refers to the Philippine Competition Act in case of covered transactions under said law involving the sale, lease, exchange, mortgage, pledge, or disposition of properties or assets; increase or decrease in the capital stock, incurring creating or increasing bonded indebtedness; or mergers or consolidations covered by the Philippine Competition Act thresholds.

The Philippine Competition Act

RA No. 10667, or the Philippine Competition Act (**PCA**) was signed into law on 21 July 2015 and took effect on 8 August 2015. This is the first anti-trust statute in the Philippines and it provides the competition framework in the Philippines. The PCA was enacted to enhance economic efficiency and promote free and fair competition in trade, industry and all commercial economic activities. To implement its objectives, the PCA provides for the creation of a Philippine Competition Commission (the **PCC**), an independent quasi-judicial agency with five commissioners. Among its powers are to: conduct investigations, issue subpoenas, conduct administrative proceedings, and impose administrative fines and penalties. To conduct a search and seizure, however, the PCC must still apply for a warrant with the relevant court.

The PCA prohibits and imposes sanctions on: (a) anti-competitive agreements between or among competitors, (b) mergers and acquisitions which have the object or effect of substantially preventing, restricting or lessening competition, and (c) practices which are regarded as abuse of dominant position, 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 3 June 2016, the PCC issued the implementing rules and regulations of the PCA (**IRR**). Under the IRR, as a general rule, parties to a merger or acquisition are required to provide notification when:

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

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 10 March 2018, the PCC issued Memorandum Circular No. 1-001 (**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 1 March 2019 and on March 1st of every succeeding year, using as index the Philippine Statistics Authority's official estimate of the nominal gross domestic product growth of the previous calendar year rounded up to the nearest hundred million. 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 1 March 2019, parties to a merger or acquisition are required to provide notification when: (a) the aggregate annual gross revenues in, into or from the Philippines, or value of the assets in the Philippines of the ultimate parent entity of at least one of the acquiring or acquired entities, including that of all entities that the ultimate parent entity controls, directly or indirectly, exceed ₱5.6 billion; and (b) the value of the transaction exceeds ₱2.2 billion, as determined in the 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 11 February 2020, the notification thresholds were further adjusted by PCC Commission Resolution No. 02-2-2020 such that effective 1 March 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 15 September 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 23 November 2017, the PCC published the 2017 Rules on Merger Procedures (the **Merger Rules**) which provides the procedure for the review or investigation of mergers and acquisition pursuant to the 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 28 May 2019, the PCC approved the Expedited Merger Rules which apply when: (1) there are no actual or potential horizontal or vertical (including complementary) 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

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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 11 September 2020, President Rodrigo Duterte signed Republic Act No. 11494, otherwise known as the Bayanihan To Recover as One Act (Bayanihan 2), which provides, among others, the exemption from compulsory notification of mergers and acquisitions with transaction value of less than ₱50 billion which are entered into within two years from the effectivity of Bayanihan 2, and from the PCC's power to review mergers and acquisitions *motu proprio* for a period of one year from the effectivity of Bayanihan 2.

On 17 September 2020, the PCC issued Memorandum Circular No. 20-003 which clarified the provisions under Bayanihan 2. As stated, mergers and acquisitions entered into prior to the effectivity of Bayanihan 2 which exceed the thresholds of ₱2,400,000,000.00 for the size of transaction and ₱6,000,000,000.00 for the size of parties, including those that are now pending before the PCC for review, are still subject to compulsory notification and review. Similarly, all mergers and acquisitions entered into prior to the effectivity of Bayanihan 2 may still be subject to *motu proprio* review in accordance with the existing rules and regulations of the PCC.

On 19 January 2021, the PCC issued Memorandum Circular No. 21-001 adjusting the schedule of fines for violations of the 2017 Rules of Procedure and the Rules of Merger Procedure. 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 13 September 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.

As of 1 March 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 21 February 2024, PCC Memorandum Circular 01-2024 revised the mandatory PCC notification thresholds effective 1 March 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 15 April 2025. Effective 1 March 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 15 August 2012, to govern the processing of all types of personal information (i.e., personal, sensitive, and privileged information) in the hands of the government or private natural or juridical person through the use of Information and Communications System (ICT), which refers to a system for generating, sending, receiving, storing or otherwise processing electronic data messages or electronic documents and includes the computer system or other similar device by or which data is recorded, transmitted or stored and any procedure related to the recording, transmission or storage of electronic data, electronic message, or electronic document. While the law expressly provides that it does not apply to certain types of information, including those necessary for banks and other financial institutions under the jurisdiction of BSP to comply with the AMLA and other applicable laws, the said law applies to all other personal information obtained by banks for other purposes. It mandated the creation of a National Privacy Commission, which shall administer and implement the provisions of the Data Privacy Act and ensure compliance of the Philippines with international standards set for data protection. The Philippines recognizes the need to protect the fundamental human right of privacy and of communication, while ensuring free flow of information to promote innovation and growth. It also identifies the vital role of information and communications technology in nation building and its inherent obligation to ensure that personal information in ICT in the government and in the private sector are secured and protected.

The Data Privacy Act seeks to protect the confidentiality of “personal information”, which is defined as “any information, whether recorded in material form or not, from which the identity of an individual is apparent or can be reasonably and directly ascertained by the entity holding the information, or when put together with other information would directly and certainly identify an individual.” The law provides for certain rights of a data subject or an individual whose personal information is being processed. The law imposes certain obligations on “personal information controllers” and “personal information processors”. It also provides for penal and monetary sanctions for violations of its provisions.

On August 19, 2020, the BSP issued Memorandum No. M-2020-066 which reminded BSFIs to further intensify information security awareness and education campaigns against SMS-based attacks in response to the rise of phishing campaigns. The

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memorandum provides that BSFIs are required to adopt multi-layer controls such as calibration of fraud management system rules and parameters and conducting threat hunting exercises to detect unusual activities and takedown phishing sites, among others. On November 2, 2021, the BSP issued Memorandum No. M-2021-059 which advised BSFIs to cooperate and share relevant information to third parties, other financial institutions, payment gateway providers, third party service providers, and law enforcement agencies in the conduct of fraud investigations. The following information may be shared in the conduct of fraud investigations: (i) name, (ii) home or delivery address, (iii) email address, (iv) mobile or contact numbers, (v) bank or financial information, and (vi) bank or financial transaction details without a prior court order or proceeding.

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 Anti-Money Laundering Act and other applicable laws.

Financial Institutions Strategic Transfer Act of 2021

RA No. 11523, otherwise known as the Financial Institutions Strategic Transfer (FIST) Act (**FIST**) was signed into law on 16 February 2021 and became effective on 17 February 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 non-performing loans (**NPL**) 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:

- i. Documentary stamp tax on NPAs and dation in payment;
- i. Capital gains tax on transfer of lands and other assets treated as capital assets;
- ii. Creditable withholding tax imposed on transfer of lands and other buildings treated as ordinary assets;
- iii. VAT on transfer of NPAs or gross receipts tax, whichever is applicable.

FISTC may also avail of a fifty percent (50%) reduced rate on the following:

- i. Registration and transfer fees on transfer of real estate mortgage and security interest to and from the FISTC;
- ii. Filing fees for any foreclosure proceeding; and
- iii. 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 23 June 2021, the BIR issued Revenue Regulations No. 11-2021 providing for the guidelines and procedures in availing the tax exemptions and privileges granted under the FIST.

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 1 September 2006, the BSP released the new guidelines on the protection of electronic banking customers. These guidelines set specific requirements in the following areas: (a) oversight by a bank's board of directors, and other concerned officers over its electronic banking activities; (b) the development of a risk management policy and internal controls over its electronic banking activities; (c) the implementation of a consumer awareness program for the customers of banks; (d) development of policy on disclosures and transparencies, and the availability of electronic banking service; and (e) the development of complaint resolution procedure for unauthorized transactions in electronic banking. Private domestic banks with a BSP-approved electronic banking facility may accept payment of fees and other charges of a similar nature for the account of the departments, bureaus, offices and agencies of the government as well as

all government-owned and controlled corporations. The funds accepted shall be treated as deposit liabilities subject to existing regulations on government deposits and shall not exceed the minimum working balance of such government entities.

BSP Circular No. 808, dated 22 August 2013, required BSP-supervised institutions to migrate their entire payment network to the more secure Europay, MasterCard and Visa (**EMV**) chip-enabled cards. In 2014, BSP Circular No. 859 set out the EMV Implementation Guidelines which shall govern the implementation for debit cards in any card-accepting devices/terminals. The deadline set for compliance with the migration to the EMV was initially set for 1 January 2017. However, pursuant to BSP Memorandum No. M-2017-019 issued on 9 June 2017, BSFIs are required to fully comply with the EMV requirement by 30 June 2018. Failure to do so is considered a serious offense and will subject these institutions to monetary sanctions provided under relevant provision of the Manual.

On 22 February 2019, the BSP issued BSP Circular No. 1033 introducing certain amendments to the regulations on electronic banking services and other electronic operations, particularly electronic payment and financial services (**EPFS**). EPFS are products and services that enable customers to receive payments or initiate financial transactions and other related services through an electronic device. BSP Circular No. 1033 requires the prior approval of the BSP to offer EPFS and certain reportorial requirements must be submitted to the BSP.

On 26 November 2020, the Monetary Board approved the inclusion of digital banks as a distinct classification of banks. Digital banks offer financial products and services that are processed end-to-end through a digital platform and/or electronic channels without any physical branch or sub-branch or branch-lite unit offering financial products and services. On 2 December 2020, the BSP issued BSP Circular No. 1105 which provides the guidelines on establishment of digital banks. While digital banks have no physical branch or sub-branch or branch-lite unit, digital banks are required to maintain a principal or head office in the Philippines to serve as the main point of contact for stakeholders, including the BSP and other regulators. Pursuant to the accelerated digitalization in the financial industry, the BSP issued Memorandum No. M-2022-016 on 22 March 2022, which provides the controls and processes supporting the operation, connectivity, and endpoint security of Application Programming Interface (**API**) and the good practices for API management.

On 21 January 2022, the BSP issued BSP Circular No. 1135, providing for the Guidelines on the Settlement of Electronic Payments Under the National Retail Payment System (NRPS) Framework. This is in line with the BSP's goal to ensure the efficiency of payment systems in the country. In line with this, the Bangko Sentral requires BSP-Supervised Financial Institutions participating in an Automated Clearing House (ACH) for electronic payments to ensure that the ACH provides certainty of settlements of the multilateral clearing obligations of the clearing participants.

On 7 February 2023, the BSP issued Circular No. 1166 which amended the regulations on electronic money 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.

Related Party Transactions

BSP Circular No. 895, dated 14 December 2015, announced the approval of guidelines strengthening oversight and control standards for managing related party transactions of banks and their non-bank financial subsidiaries and affiliates. The guidelines highlight that while transactions between and among the entities within the same group create financial, commercial, and economic benefits, higher standards should be applied to protect the interests of all stakeholders. It is emphasized that related party transactions are generally allowed for as long as these are done on an arm's length basis referring to the process involved in handling the transaction as well as the economic terms of the transaction.

Under the guidelines, the board, as an oversight body, shall have overall responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity and in compliance with applicable laws and regulations. The board is expected to approve an overarching policy on the handling of related party transactions that should cover the scope of its related party transactions policy, guidelines in ensuring arm's length terms, management of conflicts of interest, materiality thresholds and limits, whistle blowing mechanisms, and restitution of losses and other remedies for irregular related party transactions. Further, banks that are part of conglomerates are required to create a related party transactions committee responsible for the continuing identification and review of existing relations between and among businesses and counterparties, and for ensuring that related party transactions are processed in the regular course of business, and are priced fairly. The guidelines now explicitly require that the annual reports adequately disclose relevant information on the governance of related party transactions and specific details of exposures to related parties.

BSP Circular No. 969, dated 22 August 2017, further codified the BSP's thrust to strengthen oversight over related party transactions by enhancing corporate governance guidelines which includes improvement of the duties and responsibilities of the related party transactions committee of BSP supervised financial institutions.

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On 25 April 2019, the Philippine SEC issued Memorandum Circular No. 10, series of 2019 (Rules on Material Related Party Transactions for Publicly Listed Companies), mandating additional disclosure/ reportorial requirements for material related party transactions (**MRPTs**) amounting to 10% or higher of a publicly listed company's total assets. The circular requires all publicly listed companies to submit to the Philippine SEC a policy on MRPTs. Advisement Reports on MRPTs shall also be filed with the Philippine SEC in accordance with the circular within three calendar days after the execution of a covered transaction. Finally, a summary of MRPTs entered into by the company during the reporting year shall be disclosed in the company's Integrated Annual Corporate Governance Report (I-ACGR) submitted annually every May 30.

National Payment Systems Act

On 30 October 2018, Congress enacted Republic Act No. 11127, or "An Act Providing for the Regulation and Supervision of Payment Systems" ("R.A. No. 11127"). 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 9 September 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.

On 7 July 2020, the BSP issued BSP Circular No. 1089 which provides the Payment System Oversight Framework setting out the approach and rules of the BSP in the conduct of its oversight function pursuant to R.A. No. 11127.

On 5 April 2021, the BSP issued Memorandum M-2021-021 which provides the guidelines for BSFIs to ensure the soundness and adequacy of their risk management and practices in dealing with Operators of Payment Systems (**OPS**) and Non-bank Electronic Money Issuers (**EMIs**), including but not limited to (i) performing appropriate assessment of entities based on observable business activities and transactions indicating that such entities are OPS or non-bank EMIs; (ii) dealing only with OPS registered with the BSP and non-bank EMIs duly licensed by the BSP; (iii) performing appropriate customer due diligence when dealing with entities that are registered with the BSP as OPS or licensed as non-bank EMI; (iv) conducting appropriate risk assessment of OPS or non-bank EMI; and (v) performing continuing account and transaction monitoring.

On 14 September 2021, the BSP issued Circular No. 1126, which provides the mandatory adoption of the Principles for Financial Market Infrastructure (**PFMI**) by the designated payment systems pursuant to Circular No. 1089 and R.A. No. 11127. The PFMI is a set of international standards designed to strengthen FMIs and make them more resilient to financial crises and participant defaults.

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 17 September 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 1 March 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.

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** (the National Internal Revenue Code of 1997, as amended), less the items of allowable deductions under Section 34 of the Tax Code or those allowed under special laws.

Beginning 1 July 2020 and until 30 June 2023, a minimum corporate income tax (**MCIT**) rate equivalent to 1% of the gross income of a bank is payable only if the MCIT is greater than the regular corporate income tax, provided that after 30 June 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 Revenue Regulations No. 13-00. The amount of interest expense which banks may claim as tax deduction shall be reduced by an amount equal to 20% of the banks' interest income that is subject to final tax.

The Tax Code does not allow banks to deduct interest expense or bad debts arising from transactions with the following:

- an individual who directly or indirectly owns more than 50% in value of the outstanding capital stock of the bank;

- a corporation, more than 50% in value of the outstanding capital stock of which is owned directly or indirectly, by or for the same individual in sub-paragraph (a), either as a personal holding company or a foreign personal holding company.

Pursuant to Revenue Regulations No. 05-99 (as amended by Revenue Regulations No. 25-02), in order for banks to claim bad debts as tax deductions, they must 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 29 October 2014, the BSP issued Circular No. 855 which provides that notice of write-off of problem credits shall be submitted in the prescribed form to the BSP through the appropriate Central Point of Contact within thirty (30) business 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 13 June 2016, the BIR issued Revenue Memorandum Circular No. 62-2016 (**RMC 62-2016**) seeking to clarify the tax treatment of GRT, which is passed on by banks through contractual stipulations to their clients. RMC 62-2016 provides that 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 7% GRT.

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, as amended by Republic Act No. 12214 or the CMEPA, provides for a final tax at a rate of 20% on 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 rate applies prospectively and does not apply to financial instruments that were issued or transacted prior to 1 July 2025, and existing long-term deposits made prior to the effectivity of the law continue to enjoy the preferential rates until their maturity. This rule also does not apply to gains derived from trading, retirement or redemption of the debt instrument which is subject to regular income tax rates, unless a specific exemption is provided for by law.

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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 documentary stamp tax 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 tax. All other income of FCDUs is taxable at regular corporate income tax of 25%.

On 19 December 2017, the President of the Philippines signed into law the TRAIN Law which took effect on 1 January 2018. The TRAIN Law amends certain provisions of the Tax Code and is the first package of the Comprehensive Tax Reform Program (**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 14 February 2019, the President signed into law the Tax Amnesty Act of 2019 or Republic Act No. 11213 (**Tax Amnesty Law**), 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 31 December 2017 and whose estate taxes have remained unpaid or have accrued as of 31 December 2017 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 Corporate Recovery and Tax Incentives for Enterprises (**CREATE**) bill, was passed by the Philippine House of Representatives on 13 September 2019 and was approved by the Ways and Means Committee of the Philippine Senate on 19 February 2020. On 24 February 2021, CREATE was transmitted to the Office of the President for his approval. On 9 March 2020, the bill was also certified as urgent by Philippine President Rodrigo Duterte.

On 26 March 2021, the President signed into law the CREATE Law, lowering the corporate income tax and rationalizing fiscal incentives granted to investors. Under the CREATE Law, the corporate income tax rate for domestic corporations 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 30 June 2023; and the provisions for improperly accumulated earnings tax was repealed. For incentives, the total period of incentive alignment has been increased to 17 years, while other incentives will depend on the industries defined by the 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 gross receipt tax 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 exemption of non-monetary documents from DST.

On 22 January 2024, Republic Act No. 11976, otherwise known as the Ease of Paying Taxes Act (**EOPT**) took effect. The EOPT amended various provisions of the Tax Code relating to the filing and payment of taxes and other provisions intended to protect the taxpayer’s rights, modernize tax administration, and adopt best practices.

On 8 November 2024, RA No. 12066 or the CREATE MORE was passed, amending the CREATE Act. The CREATE MORE establishes a simplified VAT refund system to reduce delays in tax processes. Moreover, the CREATE MORE streamlines processes for projects that are eligible for incentives, by raising the investment capital threshold for approval by investment promotion agencies. Finally, the CREATE MORE also extends the maximum duration of availment of tax incentives from 17 years to 27 years.

On 29 May 2025, the President signed into law Republic Act No. 12214, or the CMEPA. The law took effect on 1 July 2025. CMEPA introduced, 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 10 March 2016, the BSP issued BSP Circular No. 905 which provided guidelines for the implementation of Basel III framework on Liquidity Standards as it relates to LCR and Disclosure Standards. The Monetary Board approved the LCR framework with an observation period from 1 July 2016 until the end of 2017, during which banks are required to commence reporting their LCR to the BSP. Beginning on 1 January 2018, the LCR threshold that banks will be required to meet will be 90.0%, which was increased to 100.0% commencing on 1 January 2019. On 3 November 2017, the BSP issued BSP Circular No. 981 which amended the guidelines on liquidity risk management. The banks have until 1 September 2018 to develop or make appropriate changes to their policies and procedures, provided that banks complete a gap analysis of the requirements in BSP Circular No. 981 vis-à-vis their existing risk management systems by 31 March 2018, the result of such gap analysis shall be documented and made available for review of the BSP. On 8 February 2018, the BSP issued BSP Circular No. 996 which amended the LCR framework and extended its coverage to subsidiaries of universal and commercial banks and quasi banks on both solo (head office and branches/other offices) and consolidated (parent bank and subsidiary financial allied undertakings) bases. On 15 March 2019, 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 31 December 2019 for subsidiary banks and quasi-banks of universal and commercial banks, (ii) adopted the 70% LCR floor for subsidiary banks and quasi-banks during the observation period, 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 13 February 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 31 January 2020, in line with BSP Circular Nos. 1035 and 1034.
- *Implementation of Basel III Framework for Dealing with D-SIBs.* On 29 October 2014, the BSP issued BSP Circular No. 856 which provided the guidelines for implementing the Framework for dealing with D-SIBs under Basel III. Banks deemed as D-SIBs by the BSP will be imposed with capital surcharge to enhance their loss absorbency and thus mitigate any adverse side effects both to the banking system and to the economy should any of the D-SIBs fail. 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 1 January 2017 and will become fully effective on 1 January 2019. On 12 February 2016, the Monetary Board approved the guidelines on the submission of a recovery plan by DSIBs which shall form part of the DSIBs' ICAAP submitted to the BSP every 31 March 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 30 June 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 DSIB should undertake to restore its viability in cases of significant deterioration of its financial condition in different scenarios. At the latest, the recovery plan shall be activated when the DSIB breaches the total required CET1 capital, the HLA capital

requirement and/or the minimum liquidity ratios as may be prescribed by the BSP. As a pre-emptive measure, the recovery plan should use early warning indicators with specific levels (i.e., quantitative indicators supplemented by qualitative indicators) that will activate the recovery plan even before the above-said breaches happen. This preparatory mechanism, including the operational procedures, monitoring, escalation and approval process should be clearly defined in the recovery plan. The ICAAP document, which includes the first recovery plan, was submitted on 30 June 2016 and will be re-submitted on the 31st of March of each year. On 17 June 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 9 November 2015 amending the sales and marketing guidelines for derivatives under the Manual. Banks must ensure that the financial products (e.g., debt and equity securities, hybrid securities, derivatives, securitisation structures and similar products with substantial investment characteristics) it recommends to a client are appropriate for that client through a client suitability process which involves obtaining client information, classifying a client according to financial sophistication and risk tolerance, and conducting a suitability review. Any informational or promotional presentation must be undertaken only by personnel who are knowledgeable on the products involved and are qualified based on qualification standards established by the bank. Any disclosures regarding its products and services must meet the bank's standards to ensure that its clients understand the nature of the financial transaction. The BSP may bring about timely corrective actions and impose sanctions on the bank and responsible persons, which may include warning, reprimand, suspension, removal, and disqualification of concerned directors, officers, and employees. In February 2017, BSP issued Memorandum No. M-2017-004 advising all banks and quasi-banks that cross-border derivative transactions involving non-centrally cleared derivatives shall be subject to margin requirements pursuant to the policy framework adopted by the BCBS and the International Organization of Securities Commissions. The framework requires all covered entities that engage in non-centrally cleared derivatives to exchange initial and variation margins. Assets collected as collateral for margin purposes should be highly liquid and should, after the application of an appropriate haircut, be able to hold their value in time of stress. Variation margin requirements were phased in from 1 September 2016 to 1 March 2017 while initial margin requirements are being phased in from 1 September 2016 to 1 September 2020. As an initial step, banks and quasi-banks should make a determination of the transactions that will be subject to margin requirements implemented in other jurisdictions and assess whether they will be able to comply with the margin requirements implemented in other jurisdictions and assess whether they will be able to comply with the pertinent legal and operational arrangements.
- *Amendments to unit investment trust fund (UITF) Regulations.* In September 2004, the BSP issued BSP Circular No. 447 (as amended by BSP Circular No. 675 (2009), BSP Circular No. 676 (2009), Memorandum No. M-2010-033 (2010), BSP Circular No. 767 (2012), BSP Circular No. 852 (2014), BSP Circular No. 876 (2015) and BSP Circular No. 907 (2016)) which provided guidelines for the launching and offering of new products to be known as UITFs, and was intended to completely phase out common trust funds or convert them into UITFs within two years from the date of the circular. UITFs are open-ended pooled trust funds denominated in any acceptable currency that are to be operated and administered by trust entities. Eligible assets of UITFs include bank deposits, securities issued by or guaranteed by the Government or the BSP, tradable securities issued by the government of a foreign country, exchange listed securities, marketable instruments that are traded in an organized exchange, loans traded in an organized market, loans arising from repo agreements which are transacted through an exchange recognized by the Philippine SEC and such other tradable investments outlets/categories as the BSP may allow. These assets are subject to mark-to-market valuation on a daily basis. The stated objective of the BSP is to align the operation of pooled funds with international best practices and enhance the credibility of pooled funds to investors. In January 2008, the BSP issued BSP Circular No. 593 to improve risk disclosure on investing in UITFs, by requiring banks to conduct a client suitability assessment to profile the risk-return orientation and suitability of the client to the specific type of UITF that he wants to participate in, and to update the client's profile at least every three years. In December 2009, the BSP issued BSP Circular No. 676 allowing cross-currency investment for Peso trust, other fiduciary and investment management accounts, including Peso UITFs. In September 2012, the BSP issued BSP Circular No. 767 to include investments by

UITFs in units/shares in collective investment schemes as an allowable investment and recognizing UITF structures such as feeder funds and fund-of-funds. On 21 October 2014, the BSP issued 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 and online posting of UITF information via a website. On 10 March 2016, the BSP issued BSP Circular No. 907 to amend certain exposure limits, and allowable investment and valuation on UITFs invested in feeder fund and fund-of-funds. UITF investments shall only be limited to bank deposits and collective investment schemes (e.g., target fund, exchange-traded funds), subject to such target fund not being structured or similarly structured as a feeder fund or a fund-of-funds. On 14 March 2018, BSP issued BSP Circular No. 999 which further amended the allowable investment and valuation of UITFs invested in feeder fund or fund-of-funds. Under the circular, offshore/global funds which use financial derivatives for efficient portfolio management (**EPM**) may be allowed as target fund, provided that financial derivatives are not extensively or primarily used as an investment strategy of the target fund and that the risk level of the target fund remain consistent with the objective and risk profile of the investor fund. Alternatively, the target fund shall comply with the relevant regulatory requirements of its home jurisdiction as regards the use of financial derivatives for EPM. On 5 September 2022, the BSP issued BSP Circular No. 1152, further amending the UITF Regulations. Under said circular, the BSP provided the requirements and procedure for the creation of a UITF which may require either prior approval from, or notification with, the BSP, as well as the procedure for any subsequent amendment of key features of a fund. Further, the BSP also amended, among others, the operating and accounting methodology of a UITF, the manner by which the fund is operated, depending on the fund classification, and the minimum disclosure requirements to be contained in the KIIDS, the Participating Trust Agreement, and other marketing materials pertaining to a UITF. On 9 August 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 10 October 2017, the BSP issued BSP Circular No. 976 which approved amendments to the expanded report on the real estate exposure of banks, and required the submission of a report on project finance exposures to enable the BSP to gather more granular information regarding these exposures. It also clarified the definition of loans to finance infrastructure projects for public use that are currently exempt from the 20.0% limit on real estate loans. On 20 August 2020, the BSP issued Circular No. 1093, expanding the real estate loan limit for UKBs from 20% to 25%.
- *Exemption of Paired ROP Warrants from Capital Charge for Market Risk.* In connection with the Government's Paired Warrants Program, the BSP issued BSP Circular No. 605 in March 2008 exempting warrants paired with ROP Global Bonds from capital charge for market risk to the extent of a bank's holdings of bonds paired with warrants equivalent to not more than 50.0% of total qualifying capital.
- *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 10 February 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 31 October 2008, amending BSP Circular No. 626 dated 23 October 2008 and the Resolution of the Monetary Board No. 1423 dated 30 October 2008, which approved the guidelines governing the reclassification of financial assets between categories. Financial Institutions shall be allowed to reclassify all or a portion of their financial assets from "held for trading" or "available for sale" categories to the "available for sale" or "held to maturity" or "unquoted debt securities classified as loans" categories effective 1 July 2008. Any reclassification made in periods beginning on or after 15 November 2008 shall take effect from the date when the reclassification is made.
- *Taxes.* All banks are subject to certain tax rules specific to financial institutions. In November 2005, the Government increased the gross receipts tax (**GRT**), which is applied to a bank's non-interest income, from 5.0% to 7.0%. On 31 June 2016, the BIR issued Revenue Memorandum Circular 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 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 Tax Reform for Acceleration and Inclusion (**TRAIN**), and Republic Act No. 12214, or the Capital Markets Efficiency Promotions Act (**CMEPA**). Among the amendments to the Tax Code included increasing the rate of documentary stamp tax (**DST**) on debt instruments. All such affected instruments will generally be subject to DST at the rate of seventy-five percent of one percent (75% of 1%) of the issue price of any such debt instrument: *Provided*, That for such debt instruments with terms of less than one (1) year, the documentary stamp tax to be collected shall be of a proportional amount in accordance with the ratio of its term in number of days to three hundred sixty-five (365) days: *Provided, further*, That only one documentary stamp tax shall be imposed on the loan agreement and promissory notes, mortgage, security interest over personal property, and other contracts issued to secure such loan.

- *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 20 July 2018 and 3 March 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 28 July 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 agribusiness loans to fund agricultural and community-enhancing activities, among others. On 9 June 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 14 August 2015, the BSP issued BSP Circular No. 885 requiring the segregation of customer funds and securities received by banks in the performance of their securities brokering functions. Banks are required to institute adequate risk management systems and controls to ensure protection of customer funds and securities, proper segregation of functions, and prevention of conflict of interest situations that may arise in the conduct of securities brokering activities within the bank. Banks must also make and keep current books and records relating to customer funds and securities and submit monthly reportorial requirements.
- *Creation of Personal Management Trust.* On 18 August 2016, the BSP issued BSP Circular No. 920 allowing for the creation of the personal management trust (**PMT**), which is a living trust arrangement that seeks to meet the estate planning and asset management needs of individuals. The trustor may or may not nominate a third-party beneficiary. It is supposed to serve as a more flexible tool in the management of an individual's financial affairs. Upon the effectivity of the circular, all living trust accounts (**LTAs**) were discontinued and all those that remained valid were automatically considered as PMT.
- *Clearing of Checks via Electronic Presentment.* On 7 September 2016, the BSP issued BSP Circular No. 924, amending the Manual in view of the clearing of checks via electronic presentment, which shall be implemented by the Philippine Clearing House Corporation (**PCHC**). On 20 January 2017, the BSP began the electronic clearing of checks. Under this new system, only digital images of the checks and their electronic payment information shall be required to be transmitted to the paying bank. The clearing time was reduced to just one banking day, as against three banking days previously, since no physical delivery of checks will be needed.

- *Effective Reporting System Generation and Timely Submission of Reports.* On 26 June 2017, the BSP amended the Manual 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 31 December 2017 to make the necessary preparations to their systems and processes in order to comply with the new provision. Its full implementation started on 1 January 2018.
- *Additional Requirements for the Issuance of Bonds and Commercial Papers.* On 9 August 2018, the BSP issued additional requirements for the issuance by banks of bonds and commercial papers. Circular No. 1010 provides that a bank may issue bonds and/or commercial papers without prior BSP approval, provided that the following conditions are met:
 1. The bank must have a CAMELS composite rating of at least "3" and a "Management" rating of not lower than "3";
 2. The bank has no major supervisory concerns in governance, risk management systems, and internal controls and compliance system;
 3. The bank/QB has complied with directives and/or is not subject of specific directives and/or enforcement actions by the BSP; and
 4. 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 14 August 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:
 1. in preparing consolidated financial statements, only investments in financial allied subsidiaries except insurance subsidiaries shall be consolidated with the financial statements of the parent bank on a line-by-line basis, while insurance and non-financial allied subsidiaries shall be accounted for using the equity method. Investments in financial/non-financial allied/non-allied associates and joint ventures shall be accounted for using the equity method in accordance with the provisions of PAS 28;
 2. 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
 3. banks shall recognise adequate and timely allowance for credit losses at all times. In this respect, banks shall adopt the principles provided under the enhanced standards on credit risk management in measuring credit losses in the BSP Manual.
- *Marking to market of financial instruments.* BSP Circular No. 1021 dated 15 November 2018 provides that financial instruments that are required to be classified and measured at fair value, within the scope of PFRS 9 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 Securities and Exchange Commission.
- *Adoption of National Retail Payment System (NRPS) Framework.* On 6 November 2017, in line with BSP's adoption of the NRPS framework consistent with its regulations on risk management, the BSP issued Circular No. 980, which requires BSFIs to ensure that the retail payment systems they participate in demonstrate sound risk management and effective and efficient interoperability. The NRPS framework covers all retail payment-related activities, mechanisms, institutions and users. Under this framework, sound governance shall be performed by a payment system management body (**PSMB**),

which is duly recognized and overseen by BSP. In the absence of a PSMB, the functions of providing sound governance to the retail payment system participated in by BSFIs shall be discharged by BSP.

- *Guidelines on Liquidity Risk Management.* On 3 November 2017, the BSP issued Circular No. 981, amending the guidelines on liquidity risk management and the related amendments to the Manual. Among the highlights of the said changes were the additional guidelines relative to Foreign Currency Management, Intraday Liquidity Management, Intragroup Liquidity Management, Collateral Management, Liquidity Stress Testing, Contingency Funding Plans, Factors to Consider in Developing a Funding Strategy, and Factors to Consider in Developing Cash Flow Projections. Banks shall have until 1 September 2018 to develop or make appropriate changes to their policies and procedures, provided that they complete a gap analysis of the requirements of the said BSP Circular vis-a-vis their existing risk management systems by 31 March 2018.
- *Enhanced Guidelines in Information Security Management.* On 9 November 2017, BSP issued Circular No. 982, providing enhanced guidelines on information security risk management of BSFIs in view of the rapidly evolving technology and cyber-threat landscape in which they operate. The amendments highlight the role of the BSFIs' board and senior management in spearheading sound information security governance and strong security culture within their respective networks. Likewise, BSFIs are mandated to manage information security risks and exposures within acceptable levels through a dynamic interplay of people, policies, processes, and technologies following a continuing cycle (i.e. identify, prevent, detect, respond, recover and test phases). The new guidelines also recognize that BSFIs are at varying levels of cyber-maturity and cyber-risk exposures which may render certain requirements restrictive and costly vis-à-vis expected benefits. Thus, the IT profile classification has been expanded from two to three, namely: "Complex," "Moderate" and "Simple" to provide greater flexibility in complying with the requirements.
- *Guidelines on the Conduct of Stress Testing Exercises.* On 4 January 2018, BSP issued Circular No. 989, which defined minimum prudential requirements on stress testing and supplement the relevant provisions on stress testing provided under the risk management guidelines that were earlier issued by BSP. It provides that a board of directors should consider the results of stress testing exercises in capital and liquidity planning, in setting risk appetite, and in planning for business continuity management, and, in the case of DSIBs, in developing recovery plans. These expectations are consistent with the earlier issued guidelines on corporate governance under Circular No. 969.
- *Basic Deposit Accounts.* BSP Circular No. 992, issued on 1 February 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 1 March 2018, the BSP issued Circular No. 998, clarifying the guidelines on the basic security deposit requirements. The circular provides that, as security for the faithful performance of its trust and other fiduciary duties, the basic security deposit shall be at least one percent (1%) of the book value of the total trust, other fiduciary and investment management assets, and at no time shall be less than ₱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 15 February 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 22 February 2019, the BSP issued BSP Circular No. 1033, which classifies electronic payments and financial services (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 13 December 2018 provides that in addition to the basic security deposit, banks authorized to engage in trust and other fiduciary

business shall maintain reserves on 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) Personal Equity And Retirement Account (**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 24 September 2018, and 5 October 2018, the BSP issued Circular No. 1014 and 1015, respectively, revising the guidelines on the CRPP Facility. The CRPP Facility is a non-deliverable USD/PHP forward contract between BSP and a universal/commercial bank in response to the request of bank clients desiring to hedge their eligible foreign currency obligations. Transactions under the CRPP facility are considered part of banks' Generally Authorized Derivatives Activities. Under the CRPP Facility, only the net difference between the contracted forward rate and the prevailing spot rate shall be settled in pesos at maturity of the contract. Should the eligible obligation be denominated in a foreign currency other than the USD, the CRPP contract shall be denominated in USD equivalent using the exchange rate indicated in the BSP Reference Exchange Rate Bulletin on deal date. The BSP shall have supervisory enforcement actions or right to deploy its range of supervisory tools to promote adherence to the requirements set forth in the guidelines. Any violation of the guidelines, including willful delay in the submission, non-submission and/or willful making of a false or misleading statement in the notarized certification required to be submitted therein to the BSP Sections shall constitute grounds for the imposition on the bank of penalties.
- *Adoption of Policy Framework on the Grant of Regulatory Relief to Banks/Quasi Banks Affected by Calamities.* On 10 October 2018, the BSP issued Circular No. 1017, which provides the policy framework on the grant of regulatory relief measures to banks/quasi-banks affected by calamities. Under the framework, banks/quasi-banks 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 31 October 2018, the BSP issued Circular No. 1019, which amended provisions relating to the technology and cyber-risk reporting and notification requirements for BSFIs. The amendments were made to enable the BSP to have ready access to accurate, timely, and actionable information regarding BSFI's technology risk profiles as well as the evolving cyber-threat environment for a more responsive, proactive and effective banking supervision.
- *Amendments to the FX Manual.* On 5 February 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 21 August 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 20 May 2019, the BSP issued Circular No. 1040, which revised the framework on selection of external auditors for BSP Supervised Financial Institutions in accordance with the cooperative arrangement among the BSP, the Philippine SEC, Insurance Commission and the PDIC.
- *Rules and Regulations on the Registration of Operators of Payment Systems.* On 9 September 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 18 September 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 15 November 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 Long-Term Negotiable Certificates of Time Deposit (LTNCTDs), Bonds and Commercial Papers.* On 26 November 2019, Circular 1062 was issued amending the provisions of the Manual to relax certain requirements on the issuance of LTNCTDs, Bonds and Commercial Papers. Of note is the amendment expanding the entities that are now prohibited from holding the LTNCTDs, 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 BSP Manual on related party transactions shall be instituted to prevent conflict of interest on the said arrangement.
 - (d) 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 Long-Term Negotiable Certificates of Time Deposit (LTNCTDs)* On 15 November 2019, BSP Circular No. 1059 amended the Manual imposing an indefinite moratorium on the issuance of LTNCTDs beginning 1 January 2021. LTNCTDs that have been approved but remain unissued as of 31 December 2020 may still be issued, provided that this is done within the period allowed by the BSP. Requests for authority to issue LTNCTDs will only be accepted by the appropriate supervising department of the BSP until 30 September 2020.
- *Report on Intraday Liquidity of Universal and Commercial Banks (UBs/KBs) and their Subsidiary Banks/Quasi-Banks (QBs).* On 3 December 2019, Circular No. 1064 was issued amending the Manual 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 7 February 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 18 February 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 9 March 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 Manual of Regulations for Banks shall not apply to correspondent banking relationships.
- *BSP Issuances related to COVID-19.* On 14 March 2020, the BSP issued BSP Memorandum No. M-2020-008, which offered a regulatory relief package that can be availed by BSFIs within one (1) year from 8 March 2020, the date of declaration of the President of the state of public health emergency under Presidential Proclamation No. 922. The said period may be extended depending on the developments of the COVID-19 pandemic. The relief package includes exclusion from the past due loan ration of loans to affected borrowers for a year and the

staggered booking of provision of probable losses for five (5) years for all types of credits extended to individuals and businesses directly affected by the COVID-19 pandemic as of 8 March 2020, subject to the approval of BSP.

- *Sustainable Finance Framework.* On 29 April 2020, the BSP issued Circular No. 1085, which provides for the framework that sets out the expectations of the BSP on the integration of sustainability principles, including those covered by environmental and social risk areas, in the corporate governance and risk management frameworks as well as in the strategic objectives and operations of banks. The framework is applicable to all banks operating in the Philippines. The BSP puts on the Board of Directors the responsibility to adopt sustainability principles, promote a culture that fosters environmentally and socially responsible business decision-making, approve an Environmental and Social Risk Management System, ensure that sustainability objectives and policies are clearly communicated to across the bank and to its investors and clients, adopt an organizational structure to ensure the attainment and continued relevance of the bank's sustainability objectives, ensure that adequate resources are available to attain the bank's sustainability objectives, and ensure that the sustainability agenda is integrated in the bank's performance appraisal system. Banks are given until 30 April 2023 to comply with the provisions of this circular.
- *Payment System Oversight Framework.* The Monetary Board, in its Resolution No. 803 dated 25 June 2020, has accredited the Philippine Payments Management, Inc. as payment system management body in accordance with Republic Act No. 11127 or the National Payment Systems Act (NPSA). On 7 July 2020, the BSP issued Circular No. 1089 which provides the payment system oversight framework. Pursuant to the authority granted under the NPSA, 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 (NPS), 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 NPS, the BSP shall perform the following oversight activities: (i) monitor existing and planned payment systems, (ii) assess the NPS 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 4 February 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 P100,000.
- *Restructured Service Fees for Banks' Deposit and Withdrawal Transactions.* On 23 December 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 P5,000.00 penalty for cancelled withdrawal transactions.
- *Guidelines on the Establishment of Digital Bank.* On 2 December 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. In the case of an existing bank with up to sixty percent (60%) of its voting stock held by a foreign individual or non-bank corporation, such stockholding may be retained or reduced, but once reduced, shall not be increased thereafter beyond forty percent (40%) of the voting stock. On 14 September 2022, the BSP issued Circular No. 1154, further amending the MORB to clarify that the three (3)-year capital build-up shall not apply to committed capital infusion of new investors in the converting bank arising from acquisition, purchase/sale, transfer of the converting bank's shares of stock or other similar arrangements, where such required minimum capital shall be infused before the issuance of the Certificate of Authority to Register with the SEC. Currently, a moratorium on the application for a new digital bank license, including conversion of an existing bank's license to a digital bank license, has been imposed beginning 31 August 2021 to date, pursuant to BSP Memorandum No. M-2021-046. The moratorium also covers applications for the establishment of other types of banks which will primarily offer financial products and services that are processed end-to end through a digital platform and/or electronic channel.
- *Amendments to the Regulations on the UITF Marketing Personnel.* On 24 November 2020, the BSP issued Circular No. 1103 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 02 February 2021, the BSP issued Memorandum No. M-2021-011 which amended the guidelines under Memorandum No. M-2020-022 dated 8 April 2020. It provided that A BSFI which avails of the alternative accounting treatment under these guidelines and intends to revert to Philippine Financial Reporting Standards (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., 01 January, 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 Securities and Exchange Commission Memorandum Circular No. 32 dated 17 November 2020.

- *Amendments to the Regulations on Credit Exposure Limits to a Single Borrower and Definition of Capital.* On 5 January 2023, the BSP issued Circular No. 1164 which 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 28 November 2022, the BSP issued Circular No. 1160 amending the MORB to provide guidelines on Financial Consumer Protection Framework to implement the FPSCPA. The Framework applies to all financial products or services created, developed, offered or marketed by a BSP. The circular provides for measures to be undertaken by BSIs in order to meet the standards of disclosure and transparency, protection of client information, fair treatment, effective recourse, and protection of consumer assets against fraud and misuse.
- *Guidelines on Recovery Plan of Banks.* On 18 October 2022, the BSP issued Circular No. 1158, on the "Guidelines on Recovery Plan of Banks", wherein it requires Philippine banks to adopt a recovery plan which will provide, among others, for early warning indicators and trigger levels (which must be set above the minimum regulatory requirements but below or at more severe levels than the triggers applicable in activating the capital and liquidity contingency plans) for activation of the recovery plan, reporting requirements to the BSP, restoration points, recovery options, preparatory measures and implementation plan, testing and simulation exercises and updating of such recovery plan. The circular recognizes that with respect to foreign bank subsidiaries and branches, such foreign bank branches and subsidiaries may play a role in the recovery options in the group recovery plans or be impacted by their implementation and thus should consider the possible interactions and impacts of the group-wide recovery plans. The recovery plan shall be subject to annual BSP review.
- *Regulatory Sandbox Framework.* In 2022, BSP issued BSP Circular No. 1153 on the Regulatory Sandbox Framework which applies to all 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 23 August 2022, the BSP issued Circular No. 1149 which provided for guidelines on prudent conduct of investment activities and the minimum practices that a bank should establish for the management and control of risks associated with its investments. The guidelines cover all of a bank's investments in the trading and banking books, excluding (a) investments that grant control over an enterprise and are accounted for using the equity method, (b) transactions in derivatives involving stand-alone contracts, and (c) receivables arising from repurchase agreements. Under the circular, a bank is mandated to institute a risk management system to manage the risks arising from its investment activities. This system includes having (1) board and senior management oversight; (2) policies, procedures, and limits that provide a framework for managing investment activities; (3) risk measurement, monitoring and management information systems; and (4) internal controls and audit.

- *Amendments to the Ceiling on Interest or Finance Charges for Credit Card Receivables.* On 19 January 2023, the BSP 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 instalment 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 24 March 2023, the BSP issued Circular No. 1169 on the Rules of Procedure for the Consumer Assistance Mechanism, Mediation and Adjudication of Cases in the BSP, pursuant to the FPSCPA. These Rules 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 30 March 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 10 November 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 13 December 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. BSP Circular No. 1227, issued 5 January 2026, subsequently extended these regulatory incentives until 6 January 2028.
- *Amendments to the Guidelines on Disclosures to the Public.* On 21 December 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

The following is a general description of certain Philippine tax aspects of the Bonds and Commercial Papers. 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 or regulation occurring after such date, which changes can be made on a retroactive basis. It does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own, or dispose of the Bonds and Commercial Papers. Prospective purchasers should consult their tax advisors as to the laws of other applicable jurisdictions and the specific tax consequences of acquiring, holding, and disposing of the Bonds and Commercial Papers.

The tax treatment of a prospective investor may vary depending on such investor's particular situation and certain investors may be subject to special rules not discussed below. This summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to invest in the Bonds or Commercial Papers and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rates. This discussion does not provide information regarding the tax aspects of acquiring, owning, holding or disposing of the Bonds and Commercial Papers under applicable tax laws of other applicable jurisdictions and the specific Philippine tax consequence in light of particular situations of acquiring, owning, holding and disposing of the Bonds and Commercial Papers in such other jurisdictions.

EACH PROSPECTIVE HOLDER SHOULD CONSULT WITH HIS OWN TAX ADVISER AS TO THE PARTICULAR TAX CONSEQUENCES TO SUCH HOLDER OF PURCHASING, OWNING AND DISPOSING OF THE BONDS AND COMMERCIAL PAPERS, 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 reduced from 2% to 1% until 30 June 2023, 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.

In addition, the Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy (“CREATE MORE Law”) was signed into law by then President Duterte on 8 November 2024 and took effect on 28 November 2024. CREATE MORE Law 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. The new law also provides registered business enterprises (“RBEs”) with the option to choose between the Special Corporate Income Tax (“SCIT”) of 5% in lieu of all taxes, including local fees and charges, or the Enhanced Deductions Regime (“EDR”) from the commencement of their operations. Finally, the CREATE MORE also extends the maximum duration of availment of tax incentives from 17 years to 27 years. It also amended Section 32(B) of the Tax Code, which now provides that income of any kind, to the extent required by any treaty obligation, shall not be included in the gross income and shall be exempt from income taxation under the Tax Code.

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, subject to the following veto-ed provisions: (1) the removal of the tax exemption on non-residents’ income from their transactions with Foreign Currency Depositary Units, (2) imposition of the documentary stamp tax on bettors in authorized numbers games, and (3) repeal of tax exemptions granted to the Philippine Guarantee Corporation.

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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; (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; (viii) recognition of royalty payments as separate from interests and imposition of 20% final tax on them, except for royalty payments on books, other literary works, and musical compositions, which are subject to 10%; and (ix) the entitlement of employers who contribute an amount equal to or greater than their employees’ contributions to a Personal Equity and Retirement Account (“PERA”), as established under Republic Act No. 9505, to an additional tax deduction equal to 50% of their actual contributions, subject to the maximum allowable contribution of ₱100,000.00, or its equivalent in any convertible foreign currency, for local employees.

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 and Commercial Papers, 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 and Commercial Papers 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 and Commercial Papers 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 Holder. 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%).

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Tax Exempt Status

Holders 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 Holder 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 Holder'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; mm(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 Holder, or if the Holder is a fiscally transparent entity, each of the Holder's owners or beneficiaries with the proof of receipt by the concerned office of the BIR; (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 Holder, or if the Holder is a fiscally transparent entity, the country of residence of each of the Holder's owners or beneficiaries in the form acceptable for recognition under Philippine laws; (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 Holder or the Holder'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 Holder or the Holder'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 Holder, or if the Holder is a fiscally transparent entity, each of the Holder's owners or beneficiaries with the proof of receipt by the concerned office of the BIR; 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 Holder, or if the Holder is a fiscally transparent entity, the country of residence of each of the Holder's owners or beneficiaries in the form acceptable for recognition under Philippine laws, if the validity period of the previously issued 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 and Commercial Papers 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 and Commercial Papers pursuant to its management of tax-exempt entities (i.e. Employee Retirement Fund, etc.), declaring and warranting that the same Holder 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 ss(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 Holder claiming the benefit of any exemption of reasonable evidence of such exemption to the Registrar and Paying Agent.

(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

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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 Holder claiming the benefit of any exemption of reasonable evidence of such exemption to the Registrar and Paying Agent. Transfers taking place in the Registry after the Bonds and Commercial Papers 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 Holder 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 Holder 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 and Commercial Papers. On 1 July 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 and Commercial Papers.

Percentage Tax

Sale, exchange, or other disposition of non-stock securities, such as bonds, listed and traded through the local exchange by a resident or a non-resident holder (other than a dealer in securities) is subject to a percentage tax at the rate of one tenths of one percent (1/10 of 1%), or 0.1% of the gross selling price or gross value in money of the non-stock securities sold, exchanged, or otherwise disposed, which shall be paid by the seller or transferor.

Taxation on Gain or Losses Upon the Sale or Other Disposition of the Bonds and Commercial Papers

If the Bonds and Commercial Papers are considered ordinary assets of individual Holders, gains from the sale or disposition of such Bonds and Commercial Papers 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 and Commercial Papers are considered as capital assets of individual Holders, gains from the sale or disposition of the Bonds and Commercial Papers shall be subject to the same rates of income tax as if the Bonds and Commercial Papers were held as ordinary assets, except that if the gain is realized by an individual who held the Bonds and Commercial Papers for a period of more than twelve (12) months prior to the sale, only 50% of the gain will be recognized and included

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in the computation of taxable income. If the Bonds and Commercial Papers 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 and Commercial Papers 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 and Commercial Papers 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 2 July 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 Receipt Tax

Gross receipts derived by dealers in securities from the sale of the Bonds and Commercial Papers in the Philippines shall be subject to VAT of 12%. The term “gross receipt” means gross selling price less acquisition cost of the Bonds and Commercial Papers 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 and Commercial Papers by banks and nonbank financial intermediaries performing quasi-banking functions shall be taxed at 7%.

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Estate and Donor's Tax

Beginning 1 January 2018, the transfer of Bonds upon the death of an individual Holder 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 1 January 2018, individual and corporate Holders, whether or not citizens or residents of the Philippines, who transfer the Bonds and Commercial Papers 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 and Commercial Papers 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 and Commercial Papers 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 and Commercial Papers 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 Holders in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such holder by reason of domicile or business activities and such holder's particular situation. This Offering Circular does not discuss the tax considerations on such non-resident holders under laws other than those of the Philippines. Each holder of any of the Bonds and Commercial Papers should consult its own tax adviser as to the particular tax consequences on such holder acquiring, owning and disposing of the Bonds and Commercial Papers, including the applicability and effect of any state, local and national laws.

DISTRIBUTION AND SALE

Method of Distribution

The Bonds and Commercial Papers are being issued pursuant to BSP Circular No. 1010 (Series of 2018), and Circular No. 1062 (Series of 2019), and other related circulars and issuances of the BSP as may be relevant for the transaction, as amended from time to time. (the **BSP Rules**). The issuance of the Bonds and Commercial Papers is exempt from the registration requirement under the Securities Regulation Code pursuant to Section 9.1(e) of the said law.

The Bonds and Commercial Papers are being issued by the Issuer with First Metro, ING, and SCB as Joint Lead Managers and Joint Bookrunners and Selling Agents, together with the Issuer as Selling Agent, and Philippine Depository & Trust Corp. as Registrar and Paying Agent.

No action has been or will be taken by the Issuer, the Joint Lead Managers and Joint Bookrunners, or the Selling Agents in any jurisdiction (other than the Philippines), that would permit a public offering of any of the Bonds and Commercial Papers, or possession or distribution of this Offering Circular, or any amendment or supplement thereto issued in connection with the offering of the Bonds and Commercial Papers, in any country or jurisdiction where action for that purpose is required.

The Joint Lead Managers and Joint Bookrunners, and the Selling Agents, are required to comply with all laws, BSP rules and directives as may be applicable in the Philippines, including without limitation any BSP rules issued by the BSP, in connection with the offering and purchase of the Bonds and Commercial Papers and any distribution and intermediation activities, whether in the primary or secondary markets, carried out by or on behalf of the Joint Lead Managers and Joint Bookrunners, and the Selling Agents in connection therewith. Each of the Joint Lead Managers and Joint Bookrunners, and the Selling Agents is 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 and Commercial Papers are newly issued securities for which there currently is no market. At least one Market Maker will be appointed for each Series and each will be severally committed to provide live bids good for the minimum denomination under the Terms and Conditions, and a cumulative trading commitment per trading day, as required under PDEX Trading Rules, Conventions, and Guidelines. The Market Makers are not obligated to make a market for the Bonds or Commercial Papers. Accordingly, no assurance can be given as to the development or liquidity of any market for the Bonds and Commercial Papers.

The Joint Lead Managers and Joint Bookrunners, the Selling Agents or 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. The Joint Lead Managers and Joint Bookrunners, the Selling Agents or their respective affiliates may purchase the Bonds and Commercial Papers for their own account or enter into secondary market transactions or derivative transactions relating to the Bonds and Commercial Papers, including, without limitation, purchase, sale (or facilitation thereof), stock borrowing or credit or equity-linked derivatives such as asset swaps, repackagings and credit default swaps, at the same time as the offering of the Bonds or Commercial Papers. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds and Commercial Papers to which this Offering Circular relates (notwithstanding that such selected counterparties may also be a purchaser of the Bonds or Commercial Papers). As a result of such transactions, the Joint Lead Managers and Joint Bookrunners, the Selling Agents or their respective affiliates may hold long or short positions relating to the Bonds and Commercial Papers. The Joint Lead Managers and Joint Bookrunners, the Selling Agents or their respective affiliates may also engage in investment or commercial banking and other dealings in the ordinary course of business with the Issuer or its affiliates from time to time and may receive fees and commissions for these transactions. In addition to the transactions noted above, each of the Joint Lead Managers and Joint Bookrunners, the Selling Agents or their respective affiliates may, from time to time after completion of the offering of the Bonds or Commercial Papers, engage in other transactions with, and perform services for, the Issuer or its affiliates in the ordinary course of their business. The Joint Lead Managers and Joint Bookrunners, the Selling Agents or their respective affiliates may also purchase Bonds and Commercial Papers for asset management and/or proprietary purposes but not with a view to distribution or may hold Bonds and Commercial Papers on behalf of clients or in the capacity of investment advisors. While the Joint Lead Managers and Joint Bookrunners, the Selling Agents and their respective affiliates have policies and procedures to deal with conflicts of interests, any such transactions may cause the Joint Lead Managers and Joint

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Bookrunners, the Selling Agents or their respective or their clients or counterparties to have economic interests and incentives which may conflict with those of an investor in the Bonds and Commercial Papers. The Joint Lead Managers and Joint Bookrunners, or the Selling Agents, may receive returns on such transactions and has no obligation to take, refrain from taking or cease taking any action with respect to any such transactions based on the potential effect on a prospective investor in the Bonds or Commercial Papers.

Applications to Purchase the Bonds and Commercial Papers during the Offer Period.

Applicants may purchase the Bonds and Commercial Papers during the Offer Period by submitting fully and duly accomplished Applications to Purchase the Bonds or Commercial Papers, whether originally signed in quadruplicate if manually processed/submitted or triplicate if electronically submitted through the electronic Securities Portal (“e-SIP”) together with all the required attachments and the corresponding payments to the Selling Agent from whom such application was obtained no later than 5:00 p.m. of the last day of the Offer Period. Applications received after said date or without the required attachments will be rejected. Only Applications 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 Application, and which cover the entire purchase price shall be accepted. The Issuer and Joint Lead Managers and Joint Bookrunners reserve the right to adjust the Offer Period as needed.

If the Applicant is an individual, the following documents must also be submitted:

- a. A clear copy of at least one (1) valid photo-bearing identification document of the Applicant 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. Two (2) fully executed signature cards containing the specimen signature of the Applicant, validated / signed by the Selling’s authorized signatory/ies, whose authority/ies and specimen signatures have been submitted to the Registrar;
- c. Valid tax identification number issued by the BIR;
- d. Such other documents as may be reasonably required by the Selling Agent(s) in implementation of its internal policies regarding “knowing your customer” and anti-money laundering; and
- e. 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.

If the Applicant is a corporation, partnership, trust, association or institution, the following documents must also be submitted:

- a. Copies of the Articles of Incorporation and By Laws and latest amendments thereof, together with the Certificate of Incorporation issued by the Securities and Exchange Commission (SEC) and equivalent government institution, stamped and signed as certified as true copies by the SEC or by the Applicant’s Corporate Secretary, or by an equivalent officer/s who is/are authorized signatory/ies;
- b. An original Certificate of the Corporate Secretary of the Applicant, setting for the resolutions of the Applicant’s Board of Directors authorizing the purchase of the Bonds or Commercial Papers and designating the signatories, with their specimen signatures, for the said purpose;
- c. Two (2) duly accomplished signature cards containing the specimen signatures of the Applicant’s authorized signatories, validated by its Corporate Secretary, Corporate Secretary or by an equivalent officer/s who is/are authorized signatory/ies, and further validated/signed by the Selling Agent’s authorized signatory/ies whose authority/ies and specimen signatures have been submitted to the Registrar;
- 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 Bank 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 states, that the tax exempt 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 Bank and the Registrar of any suspension or revocation of its tax exemption certificates or preferential privilege and agreeing to indemnify and hold the Bank, 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 reasonably required by the Bank, the Registrar or the Paying Agent as proof of the Applicant's tax-exempt status.

Allocation and Issue of the Bonds and Commercial Papers

Applications to Purchase the Bonds and Commercial Papers shall be subject to the availability of the Bonds and Commercial Papers and acceptance by the Bank. The Joint Lead Managers and Joint Bookrunners, in consultation with the Issuer, reserves the right to accept, reject, scale down or reallocate any Application to purchase the Bonds or Commercial Papers applied for.

In the event that payment supporting any Application is returned by the drawee bank for any reason whatsoever, the

DISTRIBUTION AND SALE

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 Holder.

Upon confirmation by the Issuer of acceptance of the relevant Applications and the respective amount of Bonds or Commercial Papers, the Registrar and Paying Agent shall issue the relevant registry confirmation (the **Registry Confirmation**) to successful applicants confirming the acceptance of their purchase of the Bonds or Commercial Papers 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 Agents to the Registrar. Where PDTC discovers, after Issue Date, any inconsistency between the Final Sales Report and the Application to Purchase submitted by the Holder, 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) Business Days from the Issue Date, the Registrar shall distribute the Registry Confirmations directly to the Holders in the mode elected by the Holder as indicated in the 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 and Commercial Papers shall be coursed the trading facilities of PDEX, as applicable, subject to the payment by the Holder 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 and Commercial Papers in PDEX for secondary market trading. Upon listing of the Bonds and Commercial Papers 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 and Commercial Papers 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 and Commercial Papers 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 and Commercial Papers as may be prescribed by the BSP.

For the avoidance of doubt, the minimum denomination for the Bonds and Commercial Papers as prescribed by the BSP must be kept at all times. Consequently, no negotiation or secondary trading will be allowed if the result is that a remaining Holder of the Bonds or Commercial Papers 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 Commercial Papers, or during the period of two (2) Business Days preceding the due date for the payment of the principal amount of the Bonds or Commercial Papers.

The Registrar shall register any transfer of the Bonds or Commercial Papers, upon and within five (5) Business Days from, presentation to it of the following documents in form and substance acceptable to it:

- The relevant Trade-Related Transfer Form or Non-Trade Related Transfer Form as the case may be, duly accomplished by the transferor Holder and endorsed by the PDEX Trading Participant;
- The Investor Registration Form, duly accomplished by the transferee Holder and endorsed by the relevant PDEX Trading Participant, in the form agreed upon between the Bank and the Registrar, 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;

DISTRIBUTION AND SALE

- 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 reasonably required by the Registrar to be submitted by the transferee Holder in support of the transfer or assignment of the Bonds or Commercial Paper.

Transfers of the Bonds and Commercial Papers 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 Holders the amounts due under the Bonds and Commercial Papers, net of taxes and fees (if any), by way of credits to the bank accounts identified by the Holders in the Applications to Purchase.

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 FINANCIAL STATEMENTS

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP AS OF 31 DECEMBER 2025
AND 2024 AND FOR THE YEARS ENDED 31 DECEMBER 2025, 2024, AND 2023**

February 18, 2026

Atty. Johanne Daniel M. Negre
Head, Disclosure Department
The Philippine Stock Exchange, Inc.
6/F PSE Tower
5th Avenue corner 28th Street
Bonifacio Global City, Taguig City

Dear Atty. Negre:

We submit a copy of the Audited Financial Statements of Metropolitan Bank & Trust Company and Subsidiaries as of December 31, 2025 and 2024 and each of the three years ended December 31, 2025, 2024 and 2023 and the corresponding Management Discussion and Analysis.

Very truly yours,



Maricel L. Madrid
First Vice President/Controller

cc: Philippine Dealing Exchange Corp.
29th Floor, BDO Equitable Tower
8751 Paseo de Roxas, 1226 Makati City

COVER SHEET

						2	0	5	7	3

SEC Registration Number

M	E	T	R	O	P	O	L	I	T	A	N		B	A	N	K		&		T	R	U	S	T		C	O	M	P	A	N	Y

(Company's Full Name)

G	T		T	o	w	e	r		I	n	t	e	r	n	a	t	i	o	n	a	l	,		6	8	1	3					
A	y	a	l	a		A	v	e	.	,		c	o	r	n	e	r		H	.	V	.		D	e	l	a					
C	o	s	t	a		S	t	.		B	r	g	y	.		B	e	l	-	A	i	r	,		1	2	2	7				
M	a	k	a	t	i		C	i	t	y																						

(Business Address: No. Street City/Town/Province)

MARICEL L. MADRID

(Contact Person)

8898-8805

(Company Telephone Number)

1	2		3	1

Month Day
(Fiscal Year)

1	7	-	C	

(Form Type)

0	4		2	2

Month Day
(Annual Meeting)

NONE

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

2,901

Total No. of Stockholders

Total Amount of Borrowings

Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

Document ID

LCU

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2 (C) THEREUNDER

1. February 18, 2026
Date of Report
2. SEC Identification Number 20573 3. BIR Tax Identification No. 000-477-863
4. METROPOLITAN BANK & TRUST COMPANY
Exact name of issuer as specified in its charter
5. Manila
Province, country or other
jurisdiction of incorporation
6. (SEC Use Only)
Industry Classification Code:
7. GT Tower International, 6813 Ayala Ave.
corner H.V. Dela Costa St., Brgy.
Bel-Air, Makati City
Address of principal office 1227
Postal Code
8. (02) 8898-8000
Issuer's telephone number, including area code
9. N.A.
Former name or former address, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Shares	4,497,415,555

11. Indicate the item numbers reported herein:

Item No. 9 – Other Events

Attached is a copy of the Audited Financial Statements of Metropolitan Bank & Trust Company and Subsidiaries as of December 31, 2025 and 2024 and each of the three years ended December 31, 2025, 2024 and 2023 and the corresponding Management Discussion and Analysis.

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

METROPOLITAN BANK & TRUST COMPANY

Issuer

By:

[REDACTED]

MARICEL L. MADRID
First Vice President/Controller

SUBSCRIBED AND SWORN to before me this

FEB 18 2026
day of

affiant exhibiting to me her Passport ID No. [REDACTED]
until [REDACTED]

issued at [REDACTED]

[REDACTED]
ATTY. CHARISSIMAE Y. VENTURA

Notary Public for Taguig City
Appointment No. 164 until December 31, 2026
2/F The Shops at Grand Central Park
7th Ave. cor. 36th St., BGC, Taguig City

Doc. No. 416;
Page No. 85;
Book No. I;
Series of 2026.

MANAGEMENT DISCUSSION AND ANALYSIS

The statements of financial position and statements of income of Metropolitan Bank & Trust Company and its Subsidiaries (the Metrobank Group) as of and for the years ended December 31, 2025, 2024, 2023 and 2022 are presented below.

Statements of Financial Position (Amounts in millions)

	December 31				Increase (Decrease) 2025 vs. 2024		Increase (Decrease) 2024 vs. 2023		Increase (Decrease) 2023 vs. 2022	
	2025	2024	2023	2022	Amount	%	Amount	%	Amount	%
Assets										
Cash and Other Cash Items	₱34,577	₱33,726	₱39,431	₱40,683	₱851	2.52	(₱5,705)	(14.47)	(P1,252)	(3.08)
Due from Bangko Sentral ng Pilipinas (BSP)	106,042	150,128	207,807	252,628	(44,086)	(29.37)	(57,679)	(27.76)	(44,821)	(17.74)
Due from Other Banks	64,338	82,068	90,535	75,472	(17,730)	(21.60)	(8,467)	(9.35)	15,063	19.96
Interbank Loans Receivable and Securities Purchased Under Resale Agreements (SPURA)	72,590	81,287	72,979	73,744	(8,697)	(10.70)	8,308	11.38	(765)	(1.04)
Investment Securities at Fair Value Through Profit or Loss (FVTPL)	113,841	226,302	74,856	63,599	(112,461)	(49.70)	151,446	202.32	11,257	17.70
Fair Value Through Other Comprehensive Income (FVOCI)	954,460	573,001	536,623	530,464	381,459	66.57	36,378	6.78	6,159	1.16
Amortized Cost	473,274	475,024	470,638	317,776	(1,750)	(0.37)	4,386	0.93	152,862	48.10
Loans and Receivables	1,976,438	1,816,010	1,537,166	1,418,382	160,428	8.83	278,844	18.14	118,784	8.37
Property and Equipment	30,876	28,116	27,243	27,153	2,760	9.82	873	3.20	90	0.33
Investments in Associates and a Joint Venture	7,648	6,359	6,241	5,877	1,289	20.27	118	1.89	364	6.19
Goodwill	4,543	4,543	4,720	5,194	-	0.00	(177)	(3.75)	(474)	(9.13)
Investment Properties	8,115	7,805	8,107	7,901	310	3.97	(302)	(3.73)	206	2.61
Deferred Tax Assets	15,307	18,037	14,171	13,362	(2,730)	(15.14)	3,866	27.28	809	6.05
Other Assets	18,268	17,949	14,385	10,855	319	1.78	3,564	24.78	3,530	32.52
Total Assets	₱3,880,317	₱3,520,355	₱3,104,902	₱2,843,090	₱359,962	10.23	₱415,453	13.38	₱261,812	9.21

Liabilities and Equity										
Liabilities										
Deposit Liabilities										
CASA	₱1,575,108	₱1,487,938	₱1,439,373	₱1,479,551	₱87,170	5.86	₱48,565	3.37	(₱40,178)	(2.72)
Demand	642,415	608,370	586,345	581,473	34,045	5.60	22,025	3.76	4,872	0.84
Savings	932,693	879,568	853,028	898,078	53,125	6.04	26,540	3.11	(45,050)	(5.02)
Time	1,085,848	1,085,940	925,885	715,415	(92)	(0.01)	160,055	17.29	210,470	29.42
Long-Term Negotiable Certificates	-	-	17,514	26,158	-	0.00	(17,514)	(100.00)	(8,644)	(33.05)
	2,660,956	2,573,878	2,382,772	2,221,124	87,078	3.38	191,106	8.02	161,648	7.28
Bills Payable and Securities Sold Under Repurchase Agreements (SSURA)	530,734	300,652	156,896	91,322	230,082	76.53	143,756	91.63	65,574	71.81
Derivative Liabilities	13,502	13,370	16,865	16,865	132	0.99	(3,495)	(20.72)	-	-
Manager's Checks and Demand Drafts Outstanding	7,293	6,901	7,048	6,501	392	5.68	(147)	(2.09)	547	8.41
Income Taxes Payable	4,792	4,219	3,601	1,478	573	13.58	618	17.16	2,123	143.64
Accrued Interest and Other Expenses	18,780	23,544	19,785	13,956	(4,764)	(20.23)	3,759	19.00	5,829	41.77
Bonds Payable	114,013	107,236	70,089	88,409	6,777	6.32	37,147	53.00	(18,320)	(20.72)
Subordinated Debts	-	-	-	1,169	-	0.00	-	0.00	(1,169)	(100.00)
Non-equity Non-controlling Interest	-	-	10,260	10,139	-	0.00	(10,260)	(100.00)	121	1.19
Other Liabilities	98,080	94,150	70,848	64,037	3,930	4.17	23,302	32.89	6,811	10.64
Total Liabilities	3,448,150	3,123,950	2,738,164	2,515,000	324,200	10.38	385,786	14.09	223,164	8.87

	December 31				Increase (Decrease) 2025 vs. 2024		Increase (Decrease) 2024 vs. 2023		Increase (Decrease) 2023 vs. 2022	
	2025	2024	2023	2022	Amount	%	Amount	%	Amount	%
Equity										
Equity Attributable to Equity Holders of the Parent Company										
Common stock	₱89,948	₱89,948	₱89,948	₱89,948	₱-	-	₱-	-	₱-	-
Capital paid in excess of par value	85,252	85,252	85,252	85,252	-	-	-	-	-	-
Treasury stock	-	-	(70)	(72)	-	-	70	100.00	2	2.78
Surplus reserves	3,037	2,888	2,752	2,613	149	5.16	136	4.94	139	5.32
Surplus	257,469	230,314	204,896	176,374	27,155	11.79	25,418	12.41	28,522	16.17
Net unrealized loss on investment securities at FVOCI	(1,483)	(8,185)	(10,065)	(23,076)	6,702	81.88	1,880	18.68	13,011	56.38
Remeasurement losses on retirement plans	(5,502)	(6,436)	(7,491)	(4,404)	934	14.51	1,055	14.08	(3,087)	(70.10)
Equity in other comprehensive income (losses) of investees	163	80	116	(145)	83	103.75	(36)	(31.03)	261	180.00
Translation adjustment and others	(7,179)	(8,359)	(8,673)	(7,982)	1,180	14.12	314	3.62	(691)	(8.66)
	421,705	385,502	356,665	318,508	36,203	9.39	28,837	8.09	38,157	11.98
Non-controlling Interest	10,462	10,903	10,073	9,582	(441)	(4.04)	830	8.24	491	5.12
Total Equity	432,167	396,405	366,738	328,090	35,762	9.02	29,667	8.09	38,648	11.78
Total Liabilities and Equity	₱3,880,317	₱3,520,355	₱3,104,902	₱2,843,090	₱359,962	10.23	₱415,453	13.38	₱261,812	9.21

Statements of Income

Interest Income	₱186,039	₱177,664	₱153,612	₱102,370	₱8,375	4.71	₱24,052	15.66	₱51,242	50.06
Interest and Finance Charges	61,411	63,549	48,642	16,841	(2,138)	(3.36)	14,907	30.65	31,801	188.83
Net Interest Income	124,628	114,115	104,970	85,529	10,513	9.21	9,145	8.71	19,441	22.73
Provision for Credit and Impairment Losses	11,919	6,360	8,978	8,112	5,559	87.41	(2,618)	(29.16)	866	10.68
Net Interest Income After Provision for Credit and Impairment Losses	112,709	107,755	95,992	77,417	4,954	4.60	11,763	12.25	18,575	23.99
Other Operating Income	32,536	29,219	28,504	26,793	3,317	11.35	715	2.51	1,711	6.39
Other Operating Expenses	79,707	77,161	69,522	60,996	2,546	3.30	7,639	10.99	8,526	13.98
Income Before Share in Net Income of Associates and a Joint Venture	65,538	59,813	54,974	43,214	5,725	9.57	4,839	8.80	11,760	27.21
Share in Net Income of Associates and a Joint Venture	915	765	875	704	150	19.61	(110)	(12.57)	171	24.29
Income Before Income Tax	66,453	60,578	55,849	43,918	5,875	9.70	4,729	8.47	11,931	27.17
Provision for Income Tax	15,829	11,345	12,890	10,620	4,484	39.52	(1,545)	(11.99)	2,270	21.37
Net Income	₱50,624	₱49,233	₱42,959	₱33,298	₱1,391	2.83	₱6,274	14.60	₱9,661	29.01
Attributable to:										
Equity holders of the Parent Company	₱49,720	₱48,137	₱42,238	₱32,776	₱1,583	3.29	₱5,899	13.97	₱9,462	28.87
Non-controlling interest	904	1,096	721	522	(192)	(17.52)	375	52.01	199	38.12
	₱50,624	₱49,233	₱42,959	₱33,298	₱1,391	2.83	₱6,274	14.60	₱9,661	29.01

Statements of Comprehensive Income

	December 31				Increase (Decrease) 2025 vs. 2024		Increase (Decrease) 2024 vs. 2023		Increase (Decrease) 2023 vs. 2022	
	2025	2024	2023	2022	Amount	%	Amount	%	Amount	%
Net Income	₱50,620	₱49,233	₱42,959	₱33,298	₱1,387	2.82	₱6,274	14.60	₱9,661	29.01
Other Comprehensive Income for the Year, net of tax										
Items that may not be reclassified to profit or loss:										
Change in net unrealized gain (loss) on equity securities at FVOCI	110	394	256	(62)	(284)	(72.08)	138	53.91	318	512.90
Change in remeasurement gain (loss) on retirement plans	981	1,026	(3,157)	318	(45)	(4.39)	4,183	132.50	(3,475)	(1,092.77)
Items that may be reclassified to profit or loss:										
Change in net unrealized gain (loss) on investment on debt securities at FVOCI	6,642	1,385	12,685	(19,270)	5,257	379.57	(11,300)	(89.08)	31,955	165.83
Change in equity in other comprehensive income (loss) of investees	84	(37)	263	(26)	121	327.03	(300)	(114.07)	289	1,111.54
Translation adjustment and others	1,183	243	(719)	(257)	940	386.83	962	133.80	(462)	(179.77)
	7,909	1,591	12,229	(19,553)	6,318	397.11	(10,638)	(86.99)	31,782	162.54
Total Comprehensive Income for the Year	₱59,620	₱52,244	₱52,287	₱14,001	₱7,376	14.12	(₱43)	(0.08)	₱38,286	273.45
Attributable to:										
Equity holders of the Parent Company	₱58,686	₱51,254	₱51,647	₱13,497	₱7,432	14.50	(₱393)	(0.76)	₱38,150	282.66
Non-controlling Interest	934	990	640	504	(56)	(5.66)	350	54.69	136	26.98
	₱59,620	₱52,244	₱52,287	₱14,001	₱7,376	14.12	(₱43)	(0.08)	₱38,286	273.45

Key Performance Indicators

The performance of the Metrobank Group and its significant majority-owned subsidiaries are measured by the following key indicators:

Company Name	Performance Indicators				
	Book Value Per Share	Basic/ Diluted Earnings Per Share	Return on Average Equity	Return on Average Assets	Net Interest Margin on Average Earning Assets

For the Year 2025

Metrobank Group	₱93.77	₱11.06	12.32%	1.34%	3.64%
FMIC (a)	2,012.94	271.42	13.17%	9.29%	5.56%
ORIX METRO	132.82	16.80	11.63%	6.06%	9.66%
PSBank	108.00	8.20	7.76%	1.54%	6.51%

For the Year 2024

Metrobank Group	₱85.72	₱10.71	12.97%	1.45%	3.77%
FMIC (a)	2,107.98	114.75	5.33%	3.23%	5.66%
ORIX METRO	156.24	16.84	11.34%	6.59%	8.76%
PSBank	103.33	12.20	12.36%	2.29%	6.00%

(a) FMIC and Subsidiaries

A separate schedule showing financial soundness indicators of the Metrobank Group as of December 31, 2025 and 2024 is presented in Exhibit “A” as an attachment to this report.

2025 Performance

Financial Position

The audited consolidated total assets of the Metrobank Group as of December 31, 2025 stood at ₱3.88 trillion and grew by ₱359.96 billion or 10.23% from ₱3.52 trillion as of December 31, 2024. On the other hand, the audited consolidated liabilities amounted to ₱3.45 trillion as of December 31, 2025 and higher by ₱324.20 billion or 10.38% from ₱3.12 trillion as of December 31, 2024.

Due from BSP decreased by ₱44.09 billion or 29.37%. The reduced reserve requirement ratio this year allowed the bank to re-invest those funds into interest-bearing assets. Due from Other Banks decreased by ₱17.73 billion or 21.60% as a result of the net movements in the balances maintained with various local and foreign banks. Interbank Loans Receivable and SPURA went down by ₱8.70 billion or 10.70% on account of lower balance of interbank loans.

Total investment securities which consisted of FVTPL, FVOCI and securities at amortized cost amounted to ₱1.54 trillion as of December 31, 2025 or grew by ₱267.25 billion or 20.97% from ₱1.27 trillion as of December 31, 2024. This represents 39.73% and 36.20% of the Group's total assets as of December 31, 2025 and December 31, 2024, respectively. The increase was driven by the higher portfolio of FVOCI securities which grew by ₱381.46 billion from ₱573.00 billion as of December 31, 2024 to ₱954.46 billion as of December 31, 2025 reduced by the ₱112.46 billion lower portfolio of FVTPL securities (consisting of HFT securities and derivative assets) from ₱226.30 billion to ₱113.84 billion.

Net loans and receivables, representing 50.93% and 51.59% of the Group's total assets as of December 31, 2025 and December 31, 2024, respectively, grew by ₱160.43 billion driven by the growths in all segments particularly from corporate and credit card. Investments in Associates and a Joint Venture went up by ₱1.29 billion or 20.27% on account of the net income recognized from the associates of FMIC. Property & equipment went up by ₱2.76 billion or 9.82% from ₱28.12 billion to ₱30.88 billion pertaining to IT equipment and additional costs of renovation and construction of Head Office and branches. Deferred tax assets decreased by ₱2.73 billion or 15.14% from ₱18.04 billion to ₱15.31 billion due to movements on temporary tax differences.

On the liability side, the audited consolidated total liabilities of the Metrobank Group went up by ₱324.20 billion or 10.38% from ₱3.12 trillion as of December 31, 2024 to ₱3.45 trillion as of December 31, 2025.

Deposit liabilities represent 77.17% and 82.39% of the consolidated total liabilities as of December 31, 2025 and 2024, respectively, wherein, CASA represents 59.19% and 57.81% of the Group's total deposits, respectively. The Group's deposit level, sourced by the Bank, PSBank and MBCL stood at ₱2.66 trillion as of December 31, 2025, or higher by ₱87.08 billion or 3.38% from ₱2.57 trillion as of December 31, 2024. The increase was mainly driven by the higher level of CASA which increased by ₱87.17 billion or 5.86%.

Bills Payable and SSURA went up by ₱230.08 billion or 76.53% wherein the level of SSURA increased from ₱276.63 billion as of December 31, 2024 to ₱407.56 billion as of December 31, 2025. The increase of ₱0.39 billion or 5.68% in Manager's Checks and Demand Drafts Outstanding resulted from the normal banking operations of the Bank and PSBank.

Income taxes payable increased by ₱0.57 billion or 13.58% particularly corporate income tax and final tax. Accrued Interest and Other Expenses went down by ₱4.76 billion or 20.23% due to decreases in accruals of other bank expenses and interests particularly on time deposits. Bonds payable increased by ₱6.78 billion or 6.32% on account of PSBank's new ₱5.0 billion fixed-rate bonds issuance.

Further, equity attributable to equity holders of the Parent Company increased by ₱36.20 billion or 9.39% mainly on account of the ₱49.72 billion net income reported during the year plus the lower net unrealized loss recognized on FVOCI investments from ₱8.19 billion loss as of December 31, 2024 to ₱1.48 billion loss as of December 31, 2025, reduced by the ₱22.49 billion total cash dividends paid by the Parent Company.

Results of Operations

Net income attributable to equity holders of the Parent Company for the year ended December 31, 2025 amounted to ₱49.72 billion and improved by ₱1.58 billion or 3.29% from the ₱48.14 billion net income reported in the previous year. The improvement was driven by the following:

Interest income went up by ₱8.38 billion or 4.71% on account of higher interest income on loans and receivables by ₱9.73 billion and on investment securities by ₱1.05 billion due to higher volume offset by lower interest income on

deposit with banks by ₱1.66 billion. Meanwhile, decrease in interest expense on deposit liabilities by ₱7.51 billion (due to decrease in volume of time deposits) and increase in interest expense on borrowings by ₱5.37 billion (due to shift in funding cost) accounted for the ₱2.14 billion or 3.36% decrease in interest and finance charges. As a result, net interest income improved by ₱10.51 billion or by 9.21%.

Other operating income of ₱32.54 billion was higher by ₱3.32 billion or 11.35% from ₱29.22 billion in 2024 on account of the ₱2.63 billion increase in net trading, securities and foreign exchange gain, ₱0.95 billion increase in fee-based income reduced by the ₱0.27 billion decrease in miscellaneous income primarily driven by the lower income realized from the sale of ROPA.

Total operating expenses increased by 3.30% or ₱2.55 billion from ₱77.16 billion to ₱79.71 billion due to increases in manpower cost by ₱0.77 billion and miscellaneous expenses by ₱2.06 billion particularly on information technology, security, janitorial and messengerial services, and other miscellaneous expenses. Total provision for credit and impairment losses of the Group was higher for the year ended December 31, 2025 or amounted to ₱11.92 billion compared with ₱6.36 billion provision in 2024. Provision for income tax was higher by ₱4.48 billion from ₱11.35 billion to ₱15.83 billion due to net movements in corporate, final and deferred income taxes.

Total comprehensive income stood at ₱59.62 billion for the year ended December 31, 2025 or increased by ₱7.38 billion from ₱52.24 billion for the year ended December 31, 2024 mainly due to the ₱4.97 billion positive variance in net unrealized loss recognized on FVOCI securities, ₱1.39 billion increase in net income and ₱0.94 billion increase in translation adjustment. This caused the total comprehensive income attributable to equity holders of the Parent Company to increase by ₱7.43 billion from ₱51.25 billion for the year ended December 31, 2024 to ₱58.69 billion for the year ended December 31, 2025.

Market share price as of December 31, 2025 was at ₱68.50 (from ₱72.00 as of December 31, 2024) with a market capitalization of ₱308.07 billion.

2024 Performance

Financial Position

As of December 31, 2024, the audited consolidated total assets of the Metrobank Group stood at ₱3.52 trillion and grew by ₱415.45 billion or 13.38% compared with the ₱3.10 trillion consolidated total assets as of December 31, 2023. On the other hand, the audited total consolidated liabilities stood at ₱3.12 trillion and higher by ₱386 billion or 14% compared with ₱2.74 trillion as of December 31, 2023.

Cash and Other Cash Items decreased by ₱5.71 billion or 14.47% due to the lower level of cash requirements of the Parent Company. Due from BSP decreased by ₱57.68 billion or 27.76% driven by lower level of term and overnight deposit placements maintained with BSP. Due from Other Banks decreased by ₱8.47 billion or 9.35% as a result of the net movements in the balances maintained with various local and foreign banks. Interbank Loans Receivable and SPURA went up by ₱8.31 billion or 11.38% on account of higher balance of interbank loans offset by the lower balance of SPURA.

Total investment securities which consisted of FVTPL, FVOCI and securities at amortized cost represents 36.20% and 34.85% of the Group's total assets as of December 31, 2024 and December 31, 2023, respectively, amounted to ₱1.27 trillion and ₱1.08 trillion, respectively, and went up by ₱192.21 billion or 17.76%. The increase was driven by the higher portfolio of FVTPL securities consisting of HFT securities and derivative assets amounting to ₱206.18 billion and ₱20.12 billion, respectively, as of December 31, 2024 compared with ₱52.93 billion and ₱21.92 billion, respectively, as of December 31, 2023. Portfolios of FVOCI securities and securities at amortized cost also grew by ₱36.38 billion and ₱4.39 billion, respectively, due to higher portfolio of debt securities particularly on government bonds and BSP securities.

Net loans and receivables, representing 51.59% and 49.51% of the Group's total assets as of December 31, 2024 and December 31, 2023, respectively, grew by ₱278.84 billion or 18.14% driven by the growths in all segments majority on corporate loans.

Deferred tax assets increased by ₱3.87 billion or 27.28% from ₱14.17 billion to ₱18.04 billion due to movements on temporary tax differences. Other Assets increased by ₱3.56 billion or 24.78% from ₱14.39 billion to ₱17.95 billion primarily due to increase in software costs and miscellaneous assets and the ₱1.2 billion funds held in Trust in compliance with BSP Circular 1166.

On the liability side, deposit liabilities represent 82.39% and 87.02% of the consolidated total liabilities as of December 31, 2024 and December 31, 2023, respectively, wherein, low cost deposits represent 57.81% and 60.41% of the Group's total deposit liabilities, respectively. The Group's deposit level, sourced by the Bank, PSBank and MBCL reached ₱2.57 trillion as of December 31, 2024, an increase of ₱191.11 billion or 8.02% from ₱2.38 trillion as of December 31, 2023. The increase was driven by the higher level of time deposit which increased by ₱160.06 billion or 17.29%, and the ₱48.57 billion or 3.37% growth in CASA offset by the maturity of the ₱17.51 billion LTNCDs (₱12.43 billion for the Parent Company and ₱5.08 billion for PSBank).

Bills Payable and SSURA went up by ₱143.76 billion or 91.63% wherein the level of SSURA increased from ₱134.80 billion as of December 31, 2023 to ₱276.63 billion as of December 31, 2024. Derivative Liabilities which represent mark-to-market of foreign currency forwards, interest rate swaps, cross currency swaps, foreign currency options, bond futures and credit default swaps with negative fair value decreased by ₱3.50 billion or 20.72%. Income taxes payable increased by ₱0.62 billion mainly due to accrual of corporate income tax.

Accrued Interest and Other Expenses went up by ₱3.76 billion or 19.00% due to increases in accruals of other bank expenses and interests particularly on time deposits. Bonds payable increased by ₱37.15 billion or 53.00% mainly on account of the peso values of the newly issued bonds net of maturities. In 2024, FMIC disposed off its remaining interest on the mutual fund subsidiaries (not attributed to the Group), which caused the zero balance in "Non-equity Non-controlling interest" account compared with ₱10.26 billion in 2023. Other liabilities increased by ₱23.30 billion or 32.89% on account of higher balances of accounts payable, marginal deposits, and bills purchased contra account.

Non-controlling interest increased by ₱0.83 billion or 8.24%. Further, equity attributable to equity holders of the Parent Company increased by ₱28.84 billion or 8.09% mainly on account of the ₱48.14 billion net income reported during the year reduced by the ₱22.49 billion total cash dividends paid by the Parent Company plus the decreases in net unrealized losses recognized on FVOCI securities and remeasurement losses recognized on retirement plan by ₱1.88 billion and ₱1.06 billion, respectively.

Results of Operations

Net income attributable to equity holders of the Parent Company for the year ended December 31, 2024 amounted to ₱48.14 billion and improved by ₱5.90 billion or 13.97% from the ₱42.24 billion net income reported in the previous year. The improvement was driven by the following:

Interest income went up by ₱24.05 billion or 15.66% on account of higher interest income on loans and receivables by ₱16.31 billion, and investment securities by ₱9.37 billion reduced by lower interest income on deposit with banks and others by ₱1.48 billion. Meanwhile, increase in interest expense on deposit liabilities particularly on time deposits by ₱7.86 billion and in interest expense on borrowings by ₱7.05 billion (which includes the interest on the new USD denominated senior unsecured notes issued by the Parent Bank and the bonds issued by MBCL) accounted for the ₱14.91 billion or 30.65% increase in interest and finance charges. As a result, net interest income improved by ₱9.15 billion or by 8.71% from ₱104.97 billion in 2023 to ₱114.12 billion in 2024.

Other operating income of ₱29.22 billion increased by ₱0.72 billion or 2.51% from ₱28.50 billion in 2023 on account of the ₱1.57 billion increase in net trading, securities and foreign exchange gain and the ₱0.54 billion increase in fee-based income offset by the ₱1.46 billion lower profit from assets sold.

Total operating expenses increased by ₱7.64 billion or 10.99% from ₱69.52 billion to ₱77.16 billion due to increases in manpower cost by ₱3.05 billion, taxes and licenses by ₱2.49 billion, and miscellaneous expenses by ₱1.92 billion. Total provision for credit and impairment losses of the Group amounted to ₱6.36 billion for the year ended December 31, 2024 or ₱2.62 billion lower compared with ₱8.98 billion provision in 2023. Provision for income tax was lower by ₱1.55 billion from ₱12.89 billion to ₱11.35 billion due to net movements in corporate, final and deferred income taxes.

Income attributable to non-controlling interests went up to ₱1.10 billion from ₱0.72 billion or by ₱0.38 billion or 52.01% due to higher net income of majority owned subsidiaries.

Total comprehensive income went up by ₱0.04 billion from ₱52.29 billion for the year ended December 31, 2023 to ₱52.24 billion for the year 2024 due to the net effect of the higher net income, plus the favorable movement in remeasurement loss recognized in retirement plan offset by the movement in net unrealized loss recognized on FVOCI investments from ₱12.69 billion positive variance in 2023 to ₱1.39 billion positive variance in 2024. This caused the total comprehensive income attributable to equity holders of the Parent Company to decrease by ₱0.39 billion from ₱51.65 billion for the year ended December 31, 2023 to ₱51.25 billion for the year ended December 31, 2024. Total comprehensive income attributable to non-controlling interest increased by ₱350 million or 54.69%.

Market share price as of December 31, 2024 was at ₱72.00 (from ₱51.30 as of December 31, 2023) with a market capitalization of ₱323.81 billion.

2023 Performance

Financial Position

As of December 31, 2023, the audited consolidated total assets and total liabilities of the Metrobank Group stood at ₱3.10 trillion and ₱2.74 trillion, respectively. Compared with December 31, 2022, total assets and total liabilities went up by ₱261.81 billion or 9.21% and by ₱223.16 billion or 8.87%, respectively. On the other hand, equity attributable to equity holders of the Parent Company was higher by ₱38.16 billion or 11.98% from ₱318.51 billion to ₱356.67 billion.

Due from BSP decreased by 17.74% driven by lower level of term deposit partially offset by the increase in level of overnight facility placements both maintained with BSP. Due from Other Banks increased by ₱15.06 billion or 19.96% as a result of the net movements in the balances maintained with various local and foreign banks.

Total investment securities which consisted of FVTPL, FVOCI and securities at amortized cost represents 34.85% and 32.07% of the Group's total assets as of December 31, 2023 and 2022, respectively, went up by ₱170.28 billion or 18.67%. Securities at amortized cost went up by ₱152.86 billion particularly on treasury notes and government bonds. FVTPL securities consist of debt and equity securities and derivative assets amounting to ₱46.13 billion, ₱6.80 billion and ₱21.92 billion, respectively, as of December 31, 2023 and ₱32.0 billion, ₱7.16 billion and ₱24.44 billion, respectively, as of December 31, 2022. FVOCI securities increased by ₱6.16 billion due to higher portfolio of debt securities particularly treasury notes and bonds.

Net loans and receivables, representing 49.51% and 49.89% of the Group's total assets as of December 31, 2023 and 2022, respectively, went up by ₱118.78 billion or 8.37% driven by the growths in corporate loans, consumer loans and credit card portfolios.

Investments in Associates and a Joint Venture went up by ₱0.36 billion or 6.19% due to the net income and other comprehensive income contributed by the associates of FMIC. Deferred Tax Assets increased by ₱0.81 billion or 6.05% due to movements on temporary tax differences particularly on allowance for credit and impairment losses. In 2023, the Group recognized impairment loss of ₱474.3 million on the outstanding goodwill. Other Assets on the other hand, increased by ₱3.53 billion or 32.52% from ₱10.86 billion to ₱14.39 billion primarily due to the movements in miscellaneous assets.

Deposit liabilities represent 87.02% and 88.32% of the consolidated total liabilities as of December 31, 2023 and 2022, respectively, wherein, low cost deposits represent 60.41% and 66.61% of the Group's total deposits, respectively. The Group's deposit level, sourced by the Bank, PSBank and MBCL reached ₱2.38 trillion as of December 31, 2023, an increase of ₱161.65 billion or 7.28% from ₱2.22 trillion as of December 31, 2022. The increment came from time deposits by ₱210.47 billion partially offset by the ₱40.18 billion decrease in CASA deposits and the maturity of the ₱8.65 billion LTNCD of the Parent Company.

Bills Payable and SSURA went up by ₱65.57 billion or 71.81% mainly due to higher level of SSURA from ₱67.12 billion as of December 31, 2022 to ₱134.80 billion as of December 31, 2023. Manager's Checks and Demand Drafts Outstanding increased by ₱0.55 billion or 8.41% as a result of the normal banking operations of the Bank and PSBank. Income taxes payable increased by ₱2.12 billion or 143.64% due to higher tax base for the last quarter of 2023.

Accrued Interest and Other Expenses went up by ₱5.83 billion or 41.77% wherein accrued interest increased by ₱3.53 billion while accrual for other bank expenses increased by ₱2.30 billion. Bonds payable decreased by ₱18.32 billion or 20.72% due to maturities of the ₱13.75 billion and ₱4.65 billion fixed rate bonds of the Parent Company and PSBank, respectively. Subordinated debts decreased by 100% due to maturity of the ₱1.17 billion peso notes of the Parent Company. Other liabilities increased by ₱6.81 billion or 10.64% due to movements in accounts payable, retirement liability, bills purchased contra account and marginal deposits.

The ₱0.49 billion or 5.12% increase in equity of non-controlling interest was attributed to the net income generated by the majority-owned subsidiaries of the Parent Company for the year ended December 31, 2023. On the other hand, equity attributable to equity holders of the Parent Company increased by ₱38.16 billion or 11.98% on account of the ₱42.24 billion net income reported during the year reduced by the ₱13.49 billion total cash paid by the Parent Company plus the favorable movement in net unrealized loss recognized in investment securities at FVOCI from ₱23.08 billion in 2022 to ₱10.07 billion in 2023.

Results of Operations

Net income attributable to equity holders of the Parent Company for the year ended December 31, 2023 amounted to ₱42.24 billion and improved by ₱9.46 billion or 28.87% from the ₱32.78 billion net income reported in the previous year. The improvement was driven by the following:

Interest income went up by ₱51.24 billion or 50.06% on account of higher interest income on loans and receivables by ₱30.36 billion, on investment securities by ₱17.96 billion, on interbank loans receivable by ₱1.88 billion and on deposit with banks and others by ₱1.05 billion. Meanwhile, increase in interest expense on deposit liabilities particularly on time deposits by ₱29.70 billion and in interest expense on borrowings by ₱2.10 billion accounted for the increase of ₱31.80 billion or 188.83% in interest and finance charges. As a result, net interest income improved by ₱19.44 billion or by 22.73%.

Other operating income of ₱28.50 billion increased by ₱1.71 billion or 6.39% from ₱26.79 billion in 2022 on account of the ₱1.36 billion increase in fee-based income, the ₱1.22 billion increase in profit from assets sold and the positive movement in foreign exchange gain from a loss of ₱2.43 billion in 2022 to a gain of ₱4.10 billion in 2023; reduced by the negative movement in trading and securities gain from a gain of ₱6.40 billion in 2022 to a loss of ₱94 million in 2023 and the ₱0.65 billion decrease in miscellaneous income.

Total operating expenses went up by ₱8.53 billion or 13.98% from ₱61.00 billion to ₱69.52 billion due to increases in taxes and licenses by ₱3.40 billion, manpower cost by ₱2.13 billion, and miscellaneous expenses by ₱1.94 billion. Total provision for credit and impairment losses of the Group amounted to ₱8.98 billion for the year ended December 31, 2023 or ₱0.87 billion higher compared with ₱8.11 billion provision in 2022. Provision for income tax was higher by ₱2.27 billion from ₱10.62 billion to ₱12.89 billion due to net movements in corporate, final and deferred income taxes.

Income attributable to non-controlling interests went up by ₱0.20 billion or 38.12% from ₱0.52 billion to ₱0.72 billion due to higher net income of majority owned subsidiaries.

Total comprehensive income went up by ₱38.29 billion from ₱14.00 billion for the year ended December 31, 2022 to ₱52.29 billion for the same year in 2023 due to the net effect of the higher net income and favorable movement in net unrealized gain(loss) recognized on FVOCI investments for the year 2023 partially offset by the movement in remeasurement loss recognized on retirement plans. This caused the total comprehensive income attributable to equity holders of the Parent Company to increase by ₱38.15 billion from ₱13.50 billion for the year ended December 31, 2022 to ₱51.65 billion for the year ended December 31, 2023. Total comprehensive income attributable to non-controlling interest increased by ₱0.14 billion or 26.98%.

Market share price as of December 31, 2023 was at ₱51.30 (from ₱54.00 as of December 31, 2022) with a market capitalization of ₱230.72 billion.

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
FINANCIAL INDICATORS
AS OF DECEMBER 31, 2025 AND 2024

RATIO	FORMULA	2025	2024
a) Liquidity Ratio	Liquid Assets	46.92%	46.09%
	Total Assets		
b) Loans to Deposits Ratio	Total Loans	74.91%	71.21%
	Total Deposit Liabilities		
c) Debt to Equity Ratio	Total Liabilities	817.67%	810.36%
	Total Equity Attributable to Equity Holders of the Parent Company		
d) Asset to Equity Ratio	Total Assets	920.15%	913.19%
	Total Equity Attributable to Equity Holders of the Parent Company		
e) Return on Average Equity	Net Income Attributable to Equity Holders of the Parent Company	12.32%	12.97%
	Average Equity		
f) Return on Average Assets	Net Income Attributable to Equity Holders of the Parent Company	1.34%	1.45%
	Average Assets		
g) Net Interest Margin on Average Earning Assets	Net Interest Income	3.64%	3.77%
	Average Earning Assets		
h) Operating Efficiency Ratio	Total Operating Expenses	50.72%	53.83%
	Net Operating Income		
i) Interest Coverage Ratio	Earnings Before Interest and Taxes	208.21%	195.32%
	Interest Expense		
j) Net Profit Margin	Net Income	23.06%	23.71%
	Total Gross Income		
k) Capital Adequacy Ratio	Total Qualifying Capital	16.81%	16.68%
	Total Risk-Weighted Assets		
l) Common Equity Tier 1 Ratio	Net Tier 1 Capital	16.12%	15.94%
	Total Risk-Weighted Assets		

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

M	E	T	R	O	P	O	L	I	T	A	N	B	A	N	K	&	T	R	U	S	T	C	O	M	P
A	N	Y	A	N	D	S	U	B	S	I	D	I	A	R	I	E	S								

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

G	T	T	o	w	e	r	I	n	t	e	r	n	a	t	i	o	n	a	l	,	6	8	1	3	
A	y	a	l	a	A	v	e	.	,	c	o	r	n	e	r	H	.	V	.	D	e	l	a		
C	o	s	t	a	S	t	.	,	B	r	g	y	.	B	e	l	-	A	i	r	,	1	2	2	7
M	a	k	a	t	i	C	i	t	y																

Form Type

A	A	F	S

Department requiring the report

Secondary License Type, If Applicable

COMPANY INFORMATION

Company's Email Address https://www.metrobank.com.ph	Company's Telephone Number 8898-8805	Mobile Number N/A
No. of Stockholders 2,901	Annual Meeting (Month / Day) 04/22	Fiscal Year (Month / Day) 12/31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person MARICEL L. MADRID	Email Address	Telephone Number/s 8898-8805	Mobile Number

CONTACT PERSON'S ADDRESS

NOTE 1 In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Metropolitan Bank & Trust Company
GT Tower International,
6813 Ayala Ave., corner H.V. Dela Costa St.,
Brgy. Bel-Air, Makati City

Report on the Consolidated and Parent Company Financial Statements

Opinion

We have audited the consolidated financial statements of Metropolitan Bank & Trust Company and its subsidiaries (the Group) and the parent company financial statements of Metropolitan Bank & Trust Company (the Parent Company), which comprise the consolidated and parent company statements of financial position as at December 31, 2025 and 2024, and the consolidated and parent company statements of income, consolidated and parent company statements of comprehensive income, consolidated and parent company statements of changes in equity and consolidated and parent company statements of cash flows for each of the three years ended December 31, 2025, and notes to the consolidated and parent company financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated and parent company financial statements present fairly, in all material respects, the financial position of the Group and the Parent Company as at December 31, 2025 and 2024, and their financial performance and their cash flows for each of the three years ended December 31, 2025, in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements* section of our report. We are independent of the Group and the Parent Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), as applicable to the audits of the financial statements of public interest entities, together with the ethical requirements that are relevant to the audits of financial statements of public interest entities 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 consolidated and parent company financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and parent company 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 Consolidated and Parent Company Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and parent company 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 consolidated and parent company financial statements.

Applicable to the audit of the consolidated and parent company financial statements

Allowance for Credit Losses

The Group's and the Parent Company'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 Group's and the Parent Company's credit risk exposures; determining the method to estimate ECL; defining default; identifying exposures with significant deterioration in credit quality, taking into account extension of payment terms; determining assumptions to be used in the ECL model such as the counterparty credit risk rating, the expected life of the financial asset, expected recoveries from defaulted accounts, and impact of any financial support and credit enhancements extended by any party; and incorporating forward-looking information in calculating ECL.

Allowance for credit losses on loans and receivables as of December 31, 2025 for the Group and the Parent Company amounted to ₱51.9 billion and ₱44.3 billion, respectively. Provision for credit losses on loans and receivables of the Group and the Parent Company in 2025 amounted to ₱12.4 billion and ₱10.0 billion, respectively.

Refer to Notes 2, 3, 4 and 15 of the financial statements for the disclosure on the details of the allowance for credit losses using the ECL model.

Audit response

We obtained an understanding of the Board-approved methodologies and models used for the Group's and the Parent Company's different credit exposures and assessed whether these considered the requirements of PFRS 9, *Financial Instruments*, to reflect an unbiased and probability-weighted outcome, and to consider time value of money and the best available forward-looking information.

We (a) assessed the Group's and the Parent Company's segmentation of 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 Group's and the Parent Company's application of the internal credit risk rating system by reviewing the ratings of sample credit exposures; (d) assessed whether expected life is different from the contractual life by testing the maturity dates reflected in the Group's and the Parent Company's records and considering management's assumptions regarding future collections, advances, extensions, renewals and modifications; (e) tested loss given default by inspecting historical recoveries and related costs, write-offs and collateral valuations, and the effects of any financial support and credit enhancements provided by any party; (f) tested exposure at default considering outstanding commitments



and repayment scheme; (g) checked the forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Group's and the Parent Company's lending portfolios and broader industry knowledge; and (h) tested the effective interest rate used in discounting the expected loss.

Further, we checked the data used in the ECL models by reconciling data from source system reports to the data warehouse and from the data warehouse to the loss allowance analysis/models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets of debt financial assets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis.

We recalculated the allowance for credit losses 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.

Applicable to the audit of the consolidated financial statements

Recoverability of Goodwill

As of December 31, 2025, the Group has goodwill amounting to ₱4.5 billion, which is substantially attributable to the Bank's investment in First Metro Investment Corporation or FMIC). Under PFRS Accounting Standards, the Group is required to annually test the amount of goodwill for impairment. The Group performed the impairment testing using the cash generating unit's (CGU) fair value less costs to sell (FVLCTS). The annual impairment test is significant to our audit because the determination of the CGU's FVLCTS requires significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty. The CGU's assets include significant investments in unquoted equity shares and their fair values were determined using European Embedded Value (EEV) method and adjusted net asset valuation (NAV) method. Other assets of the CGU include investments in quoted equity shares and debt financial assets, and real properties, while liabilities include unquoted debt financial liabilities.

The disclosures relating to goodwill are included in Notes 3 and 11 to the financial statements.

Audit response

We involved our internal specialist in obtaining an understanding of the Group's impairment assessment process, including methodology and assumptions used in the assessment and in evaluating the assumptions and methodology used by the Group in determining the FVLCTS of the CGU, in particular those relating to the use of EEV method and adjusted NAV method in the valuation of the unquoted equity shares. We tested the fair value of the other assets and liabilities by referring to the quoted prices of listed equity and debt instruments, agreeing the appraised values of real estate properties to the appraisal reports, comparing the future cash flows of unquoted debt instruments to the related contracts, and comparing the discount rates used against prevailing interest rates for similar instruments. We also re-performed the calculation of the FVLCTS. 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 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2025, but does not include the consolidated and parent company financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2025 are expected to be made available to us after the date of this auditor's report.

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

In connection with our audits of the consolidated and parent company financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and parent company 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 Consolidated and Parent Company Financial Statements

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

In preparing the consolidated and parent company financial statements, management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Parent Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Parent Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and parent company 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 consolidated and parent company 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 consolidated and parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and parent company financial statements, including the disclosures, and whether the consolidated and parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



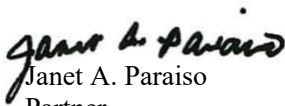
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and parent company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Supplementary Information Required Under 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 37 and Revenue Regulations No. 15-2010 in Note 38 to the financial statements is presented for purposes of filing with the BSP and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of the Parent Company. 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 Janet A. Paraiso.

SYCIP GORRES VELAYO & CO.



Janet A. Paraiso

Partner

CPA Certificate No. 92305

Tax Identification No. 193-975-241

BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026

SEC Partner Accreditation No. 92305-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements

BIR Accreditation No. 08-001998-062-2023, October 23, 2023, valid until October 22, 2026

PTR No. 10765004, January 2, 2026, Makati City

February 18, 2026



METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
(In Millions)

	Consolidated		Parent Company	
	December 31			
	2025	2024	2025	2024
ASSETS				
Cash and Other Cash Items	₱34,577	₱33,726	₱32,871	₱31,929
Due from Bangko Sentral ng Pilipinas (BSP) (Notes 4 and 16)	106,042	150,128	105,641	148,945
Due from Other Banks (Note 4)	64,338	82,068	42,583	62,352
Interbank Loans Receivable and Securities Purchased Under Resale Agreements (SPURA) (Notes 4, 7 and 26)	72,590	81,287	35,898	53,906
Investment Securities at Fair Value Through Profit or Loss (FVTPL) (Notes 5 and 8)	113,841	226,302	113,797	225,923
Fair Value Through Other Comprehensive Income (FVOCI) (Notes 4, 5 and 8)	954,460	573,001	876,355	512,115
Amortized Cost (Notes 4, 5 and 8)	473,274	475,024	444,490	444,755
Loans and Receivables (Notes 4, 5 and 9)	1,976,438	1,816,010	1,713,037	1,577,619
Property and Equipment (Note 10)	30,876	28,116	23,020	20,896
Investments in Subsidiaries (Note 11)	—	—	83,099	81,407
Investments in Associates and a Joint Venture (Note 11)	7,648	6,359	586	597
Goodwill (Note 11)	4,543	4,543	—	—
Investment Properties (Notes 5 and 12)	8,115	7,805	3,973	3,565
Deferred Tax Assets (Note 28)	15,307	18,037	13,443	16,072
Other Assets (Note 14)	18,268	17,949	13,728	14,057
	₱3,880,317	₱3,520,355	₱3,502,521	₱3,194,138
LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities (Notes 16 and 32)				
Demand	₱642,415	₱608,370	₱586,157	₱559,133
Savings	932,693	879,568	884,817	832,157
Time	1,085,848	1,085,940	904,002	930,174
	2,660,956	2,573,878	2,374,976	2,321,464
Bills Payable and Securities Sold Under Repurchase Agreements (SSURA) (Notes 5, 17 and 32)	530,734	300,652	505,732	286,541
Derivative Liabilities (Notes 5 and 8)	13,502	13,370	13,500	13,369
Manager's Checks and Demand Drafts Outstanding	7,293	6,901	6,478	5,286
Income Taxes Payable	4,792	4,219	4,625	4,143
Accrued Interest and Other Expenses (Note 18)	18,780	23,544	15,031	19,987
Bonds Payable (Notes 5, 19 and 32)	114,013	107,236	106,530	104,858
Other Liabilities (Note 21)	98,080	94,150	53,259	52,303
	3,448,150	3,123,950	3,080,131	2,807,951

(Forward)



	Consolidated		Parent Company	
	December 31			
	2025	2024	2025	2024
EQUITY				
Equity Attributable to Equity Holders of the Parent Company				
Common stock (Note 23)	₱89,948	₱89,948	₱89,948	₱89,948
Capital paid in excess of par value (Note 23)	85,252	85,252	85,252	85,252
Surplus reserves (Note 24)	3,037	2,888	3,037	2,888
Surplus (Note 23)	257,469	230,314	257,469	230,314
Net unrealized losses on investment securities at FVOCI (Note 8)	(1,483)	(8,185)	(1,483)	(8,185)
Remeasurement losses on retirement plans (Notes 11 and 27)	(5,502)	(6,436)	(5,502)	(6,436)
Equity in other comprehensive income of investees (Note 11)	163	80	163	80
Translation adjustment and others (Note 11)	(7,179)	(8,359)	(6,494)	(7,674)
	421,705	385,502	422,390	386,187
Non-controlling interest (Note 11)	10,462	10,903	—	—
	432,167	396,405	422,390	386,187
	₱3,880,317	₱3,520,355	₱3,502,521	₱3,194,138

See accompanying Notes to Financial Statements.



METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES

STATEMENTS OF INCOME

(In Millions, Except Earnings Per Share)

	Consolidated			Parent Company		
	Years Ended December 31					
	2025	2024	2023	2025	2024	2023
INTEREST INCOME ON						
Loans and receivables (Notes 9 and 32)	₱126,583	₱116,852	₱100,539	₱107,082	₱99,661	₱84,789
Investment securities at FVOCI and at amortized cost (Note 8)	52,098	50,014	43,614	48,130	45,314	37,654
Investment securities at FVTPL (Note 8)	3,997	5,030	2,058	3,982	4,901	1,921
Interbank loans receivable and securities purchased under resale agreements (SPURA) (Notes 7 and 32)	2,524	3,275	3,429	1,385	2,301	2,728
Deposits with banks and others	837	2,493	3,972	487	1,798	2,159
	186,039	177,664	153,612	161,066	153,975	129,251
INTEREST AND FINANCE CHARGES						
Deposit liabilities (Notes 16 and 32)	41,466	48,975	41,120	35,025	42,218	33,640
Bills payable and securities sold under repurchase agreements, bonds payable, subordinated debts and others (Notes 13, 17, 19, 20, 21 and 32)	19,945	14,574	7,522	19,265	13,981	6,826
	61,411	63,549	48,642	54,290	56,199	40,466
NET INTEREST INCOME	124,628	114,115	104,970	106,776	97,776	88,785
PROVISION FOR CREDIT AND IMPAIRMENT LOSSES (Notes 3 and 15)	11,919	6,360	8,978	9,994	6,379	6,661
NET INTEREST INCOME AFTER PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	112,709	107,755	95,992	96,782	91,397	82,124
OTHER OPERATING INCOME						
Service charges, fees and commissions (Notes 25 and 32)	17,882	16,932	16,390	14,438	13,733	13,079
Trading and securities gain (loss) - net (Notes 8, 21 and 32)	4,659	8,904	(94)	3,978	8,582	(128)
Foreign exchange gain (loss) - net (Note 32)	3,549	(3,328)	4,096	3,435	(3,610)	3,805
Leasing (Notes 12, 13 and 32)	2,273	2,033	2,019	144	153	159
Income from trust operations (Notes 24 and 32)	1,328	1,195	1,220	1,275	1,145	1,173
Profit from assets sold (Notes 10, 12 and 14)	106	654	2,113	271	393	1,594
Dividends (Note 8)	53	161	257	9	18	19
Miscellaneous (Note 25)	2,686	2,668	2,503	1,682	1,487	1,255
	32,536	29,219	28,504	25,232	21,901	20,956
OTHER OPERATING EXPENSES						
Compensation and fringe benefits (Notes 27 and 32)	32,088	31,317	28,263	25,052	24,433	21,633
Taxes and licenses (Note 28)	13,547	13,945	11,460	11,756	12,152	9,498
Depreciation and amortization (Notes 10, 12 and 14)	7,236	6,786	6,922	4,791	4,198	4,311
Occupancy and equipment-related costs (Note 13)	1,956	2,287	1,966	1,495	1,800	1,506
Miscellaneous (Note 25)	24,880	22,826	20,911	20,927	19,133	17,115
	79,707	77,161	69,522	64,021	61,716	54,063
INCOME BEFORE SHARE IN NET INCOME OF SUBSIDIARIES, ASSOCIATES AND A JOINT VENTURE						
	65,538	59,813	54,974	57,993	51,582	49,017
SHARE IN NET INCOME OF SUBSIDIARIES, ASSOCIATES AND A JOINT VENTURE (Note 11)						
	915	765	875	6,162	6,414	5,281
INCOME BEFORE INCOME TAX	66,453	60,578	55,849	64,155	57,996	54,298
PROVISION FOR INCOME TAX (Note 28)	15,829	11,345	12,890	14,435	9,859	12,060
NET INCOME	₱50,624	₱49,233	₱42,959	₱49,720	₱48,137	₱42,238
Attributable to:						
Equity holders of the Parent Company (Note 31)	₱49,720	₱48,137	₱42,238			
Non-controlling interest (Note 11)	904	1,096	721			
	₱50,624	₱49,233	₱42,959			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 31)						
	₱11.06	₱10.71	₱9.39			

See accompanying Notes to Financial Statements.



METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME
(In Millions)

	Consolidated			Parent Company		
	Years Ended December 31					
	2025	2024	2023	2025	2024	2023
Net Income	₱50,624	₱49,233	₱42,959	₱49,720	₱48,137	₱42,238
Other Comprehensive Income for the Year, Net of Tax						
Items that may not be reclassified to profit or loss:						
Change in remeasurement gain (loss) on retirement plans (Notes 11 and 27)	981	1,026	(3,157)	934	1,055	(3,087)
Change in net unrealized gain (loss) on equity securities at FVOCI	110	394	256	(15)	187	135
	1,091	1,420	(2,901)	919	1,242	(2,952)
Items that may be reclassified to profit or loss:						
Change in net unrealized gain on investment in debt securities at FVOCI (Note 8)	6,642	1,385	12,685	6,788	1,597	12,791
Change in equity in other comprehensive gains (losses) of investees (Note 11)	84	(37)	263	83	(36)	261
Translation adjustment and others (Note 11)	1,183	243	(719)	1,180	314	(691)
	7,909	1,591	12,229	8,051	1,875	12,361
Total Comprehensive Income for the Year	₱59,624	₱52,244	₱52,287	₱58,690	₱51,254	₱51,647
Attributable to:						
Equity holders of the Parent Company	₱58,690	₱51,254	₱51,647			
Non-controlling interest	934	990	640			
	₱59,624	₱52,244	₱52,287			

See accompanying Notes to Financial Statements.



METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY

(In Millions)

	Consolidated											
	Equity Attributable to Equity Holders of the Parent Company											
	Common Stock (Note 23)	Capital Paid In Excess of Par Value (Note 23)	Treasury Stock (Note 23)	Surplus Reserves (Note 24)	Surplus (Note 23)	Net Unrealized Loss on Investment Securities at FVOCI (Note 8)	Remeasurement Losses on Retirement Plans (Notes 11 and 27)	Equity in Other Comprehensive Income of Investees (Note 11)	Translation Adjustment and Others (Note 11)	Total	Non-controlling Interest (Note 11)	Total Equity
Balance as at January 1, 2025	P89,948	P85,252	P—	P2,888	P230,314	(P8,185)	(P6,436)	P80	(P8,359)	P385,502	P10,903	P396,405
Total comprehensive income for the year	—	—	—	—	49,720	6,773	934	83	1,180	58,690	934	59,624
Transfer to surplus reserves (Note 24)	—	—	—	149	(149)	—	—	—	—	—	—	—
Cash dividend (Note 23)	—	—	—	—	(22,487)	—	—	—	—	(22,487)	(1,375)	(23,862)
Realized gain on sale of equity securities at FVOCI (Note 8)	—	—	—	—	71	(71)	—	—	—	—	—	—
Balance as at December 31, 2025	P89,948	P85,252	P—	P3,037	P257,469	(P1,483)	(P5,502)	P163	(P7,179)	P421,705	P10,462	P432,167
Balance as at January 1, 2024	P89,948	P85,252	(P70)	P2,752	P204,896	(P10,065)	(P7,491)	P116	(P8,673)	P356,665	P10,073	P366,738
Total comprehensive income (loss) for the year	—	—	—	—	48,137	1,784	1,055	(36)	314	51,254	990	52,244
Transfer to surplus reserves	—	—	—	136	(136)	—	—	—	—	—	—	—
Cash dividend (Note 23)	—	—	—	—	(22,487)	—	—	—	—	(22,487)	(160)	(22,647)
Realized loss on sale of equity securities at FVOCI (Note 8)	—	—	—	—	(96)	96	—	—	—	—	—	—
Acquisition of Parent Company shares by mutual fund subsidiary	—	—	(244)	—	—	—	—	—	—	(244)	—	(244)
Disposal of Parent Company shares held by mutual fund subsidiary	—	—	314	—	—	—	—	—	—	314	—	314
Balance as at December 31, 2024	P89,948	P85,252	P—	P2,888	P230,314	(P8,185)	(P6,436)	P80	(P8,359)	P385,502	P10,903	P396,405
Balance as at January 1, 2023	P89,948	P85,252	(P72)	P2,613	P176,374	(P23,076)	(P4,404)	(P145)	(P7,982)	P318,508	P9,582	P328,090
Total comprehensive income (loss) for the year	—	—	—	—	42,238	12,926	(3,087)	261	(691)	51,647	640	52,287
Transfer to surplus reserves	—	—	—	139	(139)	—	—	—	—	—	—	—
Cash dividend (Note 23)	—	—	—	—	(13,492)	—	—	—	—	(13,492)	(149)	(13,641)
Realized loss on sale of equity securities at FVOCI (Note 8)	—	—	—	—	(85)	85	—	—	—	—	—	—
Acquisition of Parent Company shares by mutual fund subsidiary	—	—	(5)	—	—	—	—	—	—	(5)	—	(5)
Disposal of Parent Company shares held by mutual fund subsidiary	—	—	7	—	—	—	—	—	—	7	—	7
Balance as at December 31, 2023	P89,948	P85,252	(P70)	P2,752	P204,896	(P10,065)	(P7,491)	P116	(P8,673)	P356,665	P10,073	P366,738



	Parent Company									
	Common Stock (Note 23)	Capital Paid In Excess of Par Value (Note 23)	Treasury Stock (Note 23)	Surplus Reserves (Note 24)	Surplus (Note 23)	Net Unrealized Loss on Investment Securities at FVOCI (Note 8)	Remeasurement Losses on Retirement Plans (Notes 11 and 27)	Equity in Other Comprehensive Income of Investees (Note 11)	Translation Adjustment and Others (Note 11)	Total Equity
Balance as at January 1, 2025	₱89,948	₱85,252	₱–	₱2,888	₱230,314	(₱8,185)	(₱6,436)	₱80	(₱7,674)	₱386,187
Total comprehensive income for the year	–	–	–	–	49,720	6,773	934	83	1,180	58,690
Transfer to surplus reserves (Note 24)	–	–	–	149	(149)	–	–	–	–	–
Cash dividend (Note 23)	–	–	–	–	(22,487)	–	–	–	–	(22,487)
Realized gain on sale of equity securities at FVOCI	–	–	–	–	71	(71)	–	–	–	–
Balance as at December 31, 2025	₱89,948	₱85,252	₱–	₱3,037	₱257,469	(₱1,483)	(₱5,502)	₱163	(₱6,494)	₱422,390
Balance as at January 1, 2024	₱89,948	₱85,252	(₱70)	₱2,752	₱204,896	(₱10,065)	(₱7,491)	₱116	(₱7,988)	₱357,350
Total comprehensive income (loss) for the year	–	–	–	–	48,137	1,784	1,055	(36)	314	51,254
Transfer to surplus reserves	–	–	–	136	(136)	–	–	–	–	–
Cash dividend (Note 23)	–	–	–	–	(22,487)	–	–	–	–	(22,487)
Realized gain on sale of equity securities at FVOCI	–	–	–	–	(96)	96	–	–	–	–
Acquisition of Parent Company shares by mutual fund subsidiary	–	–	(244)	–	–	–	–	–	–	(244)
Disposal of Parent Company shares held by mutual fund subsidiary	–	–	314	–	–	–	–	–	–	314
Balance as at December 31, 2024	₱89,948	₱85,252	₱–	₱2,888	₱230,314	(₱8,185)	(₱6,436)	₱80	(₱7,674)	₱386,187
Balance as at January 1, 2023	₱89,948	₱85,252	(₱72)	₱2,613	₱176,374	(₱23,076)	(₱4,404)	(₱145)	(₱7,297)	₱319,193
Total comprehensive income (loss) for the year	–	–	–	–	42,238	12,926	(3,087)	261	(691)	51,647
Transfer to surplus reserves	–	–	–	139	(139)	–	–	–	–	–
Cash dividend (Note 23)	–	–	–	–	(13,492)	–	–	–	–	(13,492)
Realized gain on sale of equity securities at FVOCI	–	–	–	–	(85)	85	–	–	–	–
Acquisition of Parent Company shares by mutual fund subsidiary	–	–	(5)	–	–	–	–	–	–	(5)
Disposal of Parent Company shares held by mutual fund subsidiary	–	–	7	–	–	–	–	–	–	7
Balance as at December 31, 2023	₱89,948	₱85,252	(₱70)	₱2,752	₱204,896	(₱10,065)	(₱7,491)	₱116	(₱7,988)	₱357,350

See accompanying Notes to Financial Statements.



METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

(In Millions)

	Consolidated			Parent Company		
	Years Ended December 31					
	2025	2024	2023	2025	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax	₱66,453	₱60,578	₱55,849	₱64,155	₱57,996	₱54,298
Adjustments for:						
Provision for credit and impairment losses (Note 15)	11,919	6,360	8,978	9,994	6,379	6,661
Depreciation and amortization (Notes 10, 12 and 14)	5,671	5,633	5,788	3,428	3,214	3,366
Unrealized market valuation loss (gain) on financial assets and liabilities at FVTPL	1,115	(1,617)	755	1,123	(1,643)	859
Unrealized foreign exchange loss on bonds payable - net	1,481	2,853	191	1,409	475	191
Gain on initial recognition of investment properties and chattel properties acquired in foreclosure (Note 25)	(655)	(877)	(836)	(250)	(148)	(105)
Amortization of software costs (Note 14)	1,565	1,153	1,134	1,363	984	945
Profit from assets sold (Notes 10, 11 and 12)	(106)	(654)	(2,113)	(271)	(393)	(1,594)
Share in net income of subsidiaries, associates and a joint venture (Note 11)	(915)	(765)	(875)	(6,162)	(6,414)	(5,281)
Trading and securities gain on investment securities at FVOCI (Note 8)	(2,410)	(1,511)	(153)	(1,908)	(1,331)	(87)
Amortization of discount on subordinated debts, bonds payable and lease liability (Notes 13, 19 and 20)	750	639	612	561	528	493
Dividends (Note 8)	(53)	161	(257)	(9)	(18)	(19)
Decrease (increase) in:						
Investment securities at FVTPL	111,478	(162,520)	(12,012)	111,134	(161,272)	(11,697)
Loans and receivables	(173,586)	(286,132)	(127,450)	(145,971)	(248,674)	(102,724)
Other assets	(2,048)	(3,000)	(5,207)	(1,153)	(4,873)	(6,136)
Increase (decrease) in:						
Deposit liabilities	87,078	191,106	161,648	53,512	207,905	175,189
Bills payable - deposit substitutes	(5)	(8)	(1,055)	(5)	(6)	(375)
Manager's checks and demand drafts outstanding	392	(147)	547	1,192	(247)	46
Accrued interest and other expenses	(4,764)	3,777	5,829	(4,956)	4,219	5,472
Other liabilities and non-equity non-controlling interest	3,321	20,598	6,090	555	11,934	4,908
Net cash generated from (used in) operations	106,681	(164,373)	97,463	87,741	(131,385)	124,410
Dividends received (Note 8)	53	448	257	9	18	19
Income taxes paid	(14,401)	(17,413)	(13,038)	(12,634)	(15,343)	(10,494)
Net cash generated from (used in) operating activities	92,333	(181,338)	84,682	75,116	(146,710)	113,935
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisitions of:						
Investment securities at FVOCI (Note 4)	(1,255,470)	(810,188)	(718,070)	(1,041,500)	(414,088)	(119,769)
Property and equipment (Note 10)	(8,525)	(4,253)	(3,751)	(3,896)	(2,304)	(2,181)
Investment securities at amortized cost (Note 4)	(39,657)	(8,285)	(152,360)	(37,656)	(5,347)	(150,296)
Proceeds from sale of:						
Investment securities at FVOCI (Notes 4 and 11)	886,164	780,109	721,065	687,593	350,339	104,631
Investment properties (Note 12)	1,321	1,313	2,800	584	437	2,014
Property and equipment (Note 10)	3,248	576	408	47	55	62
Equity investment (Note 11)	19	2,421	—	19	—	—
Proceeds from:						
Maturity of investment securities at amortized cost (Note 4)	42,063	2,936	2,143	38,657	—	—
Return of capital of investment in a subsidiary (Note 11)	—	—	—	400	—	—
Additional investment in a subsidiary (Note 11)	—	—	—	—	(1,601)	—
Decrease (increase) in interbank loans receivable and SPURA (Note 26)	(4,408)	(2,485)	(1,356)	(2,239)	(1,819)	5,516
Cash dividends from investees (Note 11)	42	464	36	5,310	2,621	1,132
Net cash used in investing activities	(375,203)	(37,392)	(149,085)	(352,681)	(71,707)	(158,891)

(Forward)



	Consolidated			Parent Company		
	Years Ended December 31					
	2025	2024	2023	2025	2024	2023
CASH FLOWS FROM FINANCING						
ACTIVITIES (Note 26)						
Settlements of bills payable	(₱13,659,642)	(₱5,282,830)	(₱3,439,226)	(₱12,583,019)	(₱4,651,933)	(₱2,721,810)
Availments of bills payable and SSURA	13,889,729	5,426,594	3,505,855	12,802,215	4,797,399	2,786,810
Proceeds from issuance of bonds payable (Note 19)	4,961	57,468	–	–	55,041	–
Maturity of:						
Bonds payable (Note 19)	–	(23,717)	(18,400)	–	(23,717)	(13,750)
Subordinated debts (Note 20)	–	–	(1,170)	–	–	(1,170)
Cash dividends paid (Note 23)	(23,862)	(22,647)	(13,641)	(22,487)	(22,487)	(13,492)
Payment of lease liabilities (Note 13)	(2,370)	(2,194)	(2,121)	(1,518)	(1,384)	(1,302)
Proceeds from disposal of Parent Company shares by mutual fund subsidiaries (Note 32)	–	314	7	–	314	7
Acquisition of Parent Company shares by a mutual fund subsidiary (Note 23)	–	(244)	(5)	–	(244)	(5)
Net cash provided by financing activities	208,816	152,744	31,299	195,191	152,989	35,288
NET DECREASE IN CASH AND CASH EQUIVALENTS						
	(74,054)	(65,986)	(33,104)	(82,374)	(65,428)	(9,668)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	33,726	39,431	40,683	31,929	37,692	38,701
Due from BSP	150,128	207,807	252,628	148,945	198,061	215,074
Due from other banks	82,136	90,586	75,513	62,414	65,867	56,698
Interbank loans receivable and SPURA (Note 26)	69,530	63,682	65,786	51,646	58,742	59,557
	335,520	401,506	434,610	294,934	360,362	370,030
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	34,577	33,726	39,431	32,871	31,929	37,692
Due from BSP	106,042	150,128	207,807	105,641	148,945	198,061
Due from other banks	64,407	82,136	90,586	42,648	62,414	65,867
Interbank loans receivable and SPURA (Note 26)	56,440	69,530	63,682	31,400	51,646	58,742
	₱261,466	₱335,520	₱401,506	₱212,560	₱294,934	₱360,362
OPERATIONAL CASH FLOWS FROM INTEREST						
	Consolidated			Parent Company		
	Years Ended December 31					
	2025	2024	2023	2025	2024	2023
Interest paid	₱62,986	₱60,074	₱44,505	₱56,049	₱52,483	₱36,650
Interest received	183,745	173,714	148,435	159,118	149,668	124,096

See accompanying Notes to Financial Statements.



METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Metropolitan Bank & Trust Company (the Parent Company) is a universal bank incorporated in the Philippines on April 6, 1962. The Securities and Exchange Commission (SEC) approved the renewal of the Bank's corporate life on November 19, 2007. The Parent Company's shares were listed with the Philippine Stock Exchange, Inc. (PSE) on February 26, 1981, as approved by the SEC in November 1980. It has a universal banking license granted by the Bangko Sentral ng Pilipinas (BSP) on August 21, 1981.

The Parent Company and its subsidiaries (the Group) are engaged in all aspects of banking, financing, leasing, real estate and stock brokering. As of December 31, 2025, the Group has 967 branches, 1,273 Automated Teller Machines (ATMs) in the branches (on-site) and 969 ATMs in other locations (off-site). As a bank, the Parent Company, which is the ultimate parent of the Group, provides products and services such as deposits, loans and trade finance, credit card products, programs and facilities, electronic banking facilities, cash management, domestic and foreign fund transfers, treasury products, remittances, institutional fund-management, private banking and trust services. The Bank temporarily changed its business address from Metrobank Plaza, Sen. Gil Puyat Avenue, Urdaneta Village, Makati City to GT Tower International, 6813 Ayala Ave., corner H.V. Dela Costa St., Brgy. Bel-Air, Makati City, effective August 14, 2023.

2. Summary of 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 at fair value through other comprehensive income (FVOCI) that have been measured at fair value.

The financial statements of the Parent Company and Philippine Savings Bank (PSBank) a subsidiary, 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 or ₱) and United States Dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated into their equivalents in PHP (see accounting policy on Foreign Currency Translation). The financial statements of these units are combined after eliminating inter-unit accounts.

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The respective functional currencies of the subsidiaries are presented under Basis of Consolidation. The financial statements are presented in PHP, and all values are rounded to the nearest million pesos (₱000,000), except when otherwise indicated.

Statement of Compliance

The financial statements of the Group and the Parent Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.



Presentation of Financial Statements

The Group presents the statements of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 22.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position 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. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position. Income and expense are not offset in the statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and of its subsidiaries and are prepared for the same reporting period as the Parent Company using consistent accounting policies. The following are the wholly and majority-owned foreign and domestic subsidiaries of the Parent Company in 2025 and 2024 (Note 11):

Subsidiary	Principal Place of Business and Country of Incorporation	Effective Percentage of Ownership	Functional Currency
Financial Markets:			
Domestic:			
First Metro Investment Corporation (FMIC) and Subsidiaries	Philippines	99.28	PHP
PSBank	Philippines	88.38	PHP
ORIX Metro Leasing and Finance Corporation (ORIX Metro) and Subsidiaries	Philippines	59.86	PHP
Foreign:			
Metropolitan Bank (China) Ltd. (MBCL)	China	100.00	Chinese Yuan
Metropolitan Bank (Bahamas) Limited (Metrobank Bahamas)**	The Bahamas	100.00	USD
First Metro International Investment Company Limited (FMIIC) and Subsidiary	Hong Kong	100.00	Hong Kong Dollar (HKD)
Remittances:			
Metro Remittance (Hong Kong) Limited (MRHL)	Hong Kong	100.00	HKD
Metro Remittance (Singapore) Pte. Ltd. (MRSPL)	Singapore	100.00	Singapore Dollar
Metro Remittance (UK) Limited (MR UK)	United Kingdom	100.00	Great Britain Pound
First Metro Holdings USA, Inc. (formerly MR USA)	United States of America (USA)	100.00	USD
Metro Remittance (Japan) Co. Ltd. (MR Japan)	Japan	100.00	Japanese Yen
Real Estate:			
Circa 2000 Homes, Inc. (Circa)*	Philippines	100.00	PHP
Others:			
First Metro Insurance and Reinsurance Brokers Inc. (FMIRBI)	Philippines	100.00	PHP
Philbancor Venture Capital Corporation (PVCC)*	Philippines	60.00	PHP

* In process of dissolution

** In process of liquidation

All significant intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full at consolidation (Note 32). Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control is achieved where the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Consolidation of



subsidiaries ceases when control is transferred out of the Group or the Parent Company. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of income and consolidated statements of comprehensive income from the date of acquisition or up to the date of disposal, as appropriate.

Changes in the Parent Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for within equity. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid (or to be paid) or received is recognized directly in equity included as part of 'Translation adjustment and others' and attributed to the owners of the Parent Company.

When a change in ownership interest in a subsidiary occurs which results in a loss of control over the subsidiary, the Parent Company:

- a. Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- b. Derecognizes the carrying amount of any non-controlling interest;
- c. Derecognizes the related other comprehensive income (OCI) recorded in equity and recycles the same to statement of income or 'Surplus';
- d. Recognizes the fair value of the consideration received;
- e. Recognizes the fair value of any investment retained;
- f. Recognizes any surplus or deficit in the statement of income; and
- g. Reclassifies the Parent Company's share of components' gains (losses) previously recognized in OCI to profit or loss or surplus, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Entity with Significant Influence over the Group

GT Capital Holdings, Inc. (GT Capital) holds 39.84% and 37.15% interest in the Parent Company as of December 31, 2025 and 2024, respectively (Note 32).

Non-controlling Interest

Non-controlling interest represents the portion of profit or loss and the net assets of the funds not held by the Group and is presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to the Parent Company. Any losses applicable to the non-controlling interests in excess of the non-controlling interests are allocated against the interests of the non-controlling interest even if this results in the non-controlling interest having a deficit balance. Acquisitions of non-controlling interests are accounted for as equity transactions.

Non-equity Non-controlling Interest (Note 11)

The Group has seed capital investments in a number of funds where it is in a position to be able to control those funds. These funds are consolidated.

Non-equity non-controlling interest represents the portion of net assets of the consolidated funds not attributed, directly or indirectly, to the Parent Company and is presented separately in the liability section in the consolidated statement of financial position. This liability is accounted for at FVTPL and measured using net asset value per unit with changes recognized in 'Trading and securities gain (loss) - net' in the consolidated statement of income.

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 in 2025. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.



The following amendment became effective as of January 1, 2025:

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 also require disclosure of information that enables users of an entity's financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows. This amendment did not have an impact on the consolidated financial statements of the Group.

Material Accounting Policies

Foreign Currency Translation

Transactions and balances

For financial reporting purposes, the foreign currency-denominated monetary assets and liabilities in the RBU are translated in Philippine peso based on the Bankers Association of the Philippines (BAP) closing rate prevailing at the statement of financial position date and foreign currency-denominated income and expenses, at the prevailing exchange rates as at the date of transaction. Foreign exchange differences arising from revaluation and translation of foreign currency-denominated assets and liabilities are credited to or charged against operations 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 was determined.

FCDU, foreign branches and subsidiaries

As at the reporting date, the assets and liabilities of foreign branches and subsidiaries and FCDU of the Parent Company and PSBank are translated into the Parent Company's presentation currency (the PHP) at BAP closing rate prevailing at the statement of financial position date, and their income and expenses are translated at historical rate (except for the foreign subsidiaries in which the income and expenses are translated at monthly average rate). Exchange differences arising on translation are taken to the statement of comprehensive income under 'Translation adjustment and others'. Upon disposal of a foreign entity or when the Parent Company ceases to have control over the subsidiaries or upon actual remittance of FCDU profits to RBU, the deferred cumulative amount recognized in the statement of comprehensive income is recognized in the statement of income.

Fair Value Measurement

The Group measures certain financial instruments, such as derivatives, at fair value at each statement of financial position date. Fair values of financial instruments measured at amortized cost and investment properties are disclosed in Note 5.

Fair value is the 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 (that is, an exit price). 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 the most advantageous market must be accessible to the Group.



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, the price within 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.

For assets and liabilities not listed in an active market, the Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described 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 Group 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 statement of financial position date. The Group determines the policies and procedures for both recurring fair value measurement, such as financial assets and liabilities at FVTPL, and for non-recurring measurement, such as investment properties.

External valuers are involved for valuation of significant assets, such as investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. Derivatives are recognized on trade date basis. Deposits, amounts due from banks and customers and loans and receivables are recognized when cash is received by the Group 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 Group 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 Group determines the appropriate method of recognizing the 'Day 1' difference amount.

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 Group 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 Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

As a second step of its classification process, the Group assesses the contractual terms of financial assets to identify whether they pass the contractual cash flows test (SPPI test). For the purpose of the SPPI test, principal is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium or discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are SPPI. In such cases, the financial asset is required to be measured at FVTPL.

Financial assets at FVTPL

These are recorded in the statements of financial position at fair value with changes in fair value recognized in 'Trading and securities gain (loss) - net'. Interest earned is recorded in 'Interest income' while dividend income is recorded in 'Dividends' when the right to receive payment has been established. Included in this classification are debt and equity securities which have been acquired principally for the purpose of selling or repurchasing in the near term.

Derivatives recorded at FVTPL

The Parent Company and some of its subsidiaries are counterparties to derivative contracts, such as currency forwards, currency swaps, interest rate swaps (IRS), call options, non-deliverable forwards (NDF) and other interest rate derivatives. These derivatives are entered into as a service to customers and as a means of reducing or managing their respective foreign exchange and interest rate exposures, as well as for trading purposes. Such derivative financial instruments are initially recorded at fair value on the date at which the derivative contract is entered into and are subsequently remeasured at fair value. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting hedges) are taken directly to the statement of income and are included in



‘Trading and securities gain (loss) - net’. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Investment securities at FVOCI

Investment securities 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 investment securities at FVOCI are excluded, net of tax as applicable, from the reported earnings and are included in the statement of comprehensive income as ‘Change in net unrealized gain (loss) on investment in debt securities at FVOCI’ or ‘Change in net unrealized gain (loss) on equity securities at FVOCI’. Debt securities at FVOCI are those that meet both of the following conditions:

- a. 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
- b. The contractual terms of the financial asset give rise on specified dates to cash flow that are SPPI on the outstanding principal amount.

The effective yield component of debt securities at FVOCI, as well as the impact of revaluation on foreign currency-denominated debt securities at FVOCI is reported in the statement of income. Interest earned on holding debt securities at FVOCI are reported as ‘Interest Income’ using the effective interest rate (EIR) method. When the debt securities at FVOCI are disposed of, the cumulative gain or loss previously recognized in the statement of comprehensive income is recognized as ‘Trading and securities gain (loss) - net’ in the statement of income. The expected credit loss (ECL) arising from impairment of such investments is recognized in OCI with a corresponding charge to ‘Provision for credit and impairment losses’ in the statement of income.

Equity securities designated at FVOCI are those that the Group 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 statement of income as ‘Dividends’ when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery 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 statement 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:

- a. These are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows; and
- b. 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 statement of financial position captions ‘Due from BSP’, ‘Due from other banks’, ‘Interbank loans receivable and securities purchased under resale agreements (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 EIR 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 EIR. The amortization is included in ‘Interest income’ in the statement of income. Gains and losses are recognized in statement of income when these investments are derecognized or impaired, as well as through the amortization process. The ECL is recognized in the statement of income under



‘Provision for credit and impairment losses’. The effects of revaluation on foreign currency-denominated investments are recognized in the statement of income.

Financial liabilities at FVTPL

These are recorded in the statements of financial position at fair value with the changes in fair value recognized in ‘Trading and securities gain (loss) - net’, with the exception of movements in fair value of liabilities designated at FVTPL due to changes in the Group’s own credit risk. Such changes in fair value are recorded in OCI and do not get recycled to the statement of income. Interest incurred is accrued in ‘Interest expense’ using the EIR, taking into account any discount/premium and qualifying transaction costs being an integral part of the instrument.

Financial liabilities at amortized cost

Issued financial instruments or their components, which are not designated at FVTPL, are classified as liabilities under ‘Deposit liabilities’, ‘Bills payable and securities sold under repurchase agreements (SSURA)’, ‘Bonds payable’, or ‘Subordinated debts’ or other appropriate financial liability accounts, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, bills payable and similar financial liabilities not qualified as and not designated at FVTPL, are subsequently measured at amortized cost using the EIR 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.

Financial guarantees and undrawn loan commitments

The Group issues financial guarantees and loan commitments. Financial guarantees are those issued by the Group to creditors as allowed under existing rules and regulations whereby it guarantees third party obligations by signing as guarantor in the contract/agreement. Undrawn loan commitments and letters of credit are commitments under which over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. The 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 Group estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to financial guarantees and undrawn loan commitments is recognized in ‘Miscellaneous liabilities’ under ‘Other liabilities’.

Derecognition of Financial Assets and Financial Liabilities

Financial assets

A financial asset (or, when applicable, a part of a financial asset or part of a group of financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either:
 - a. Has transferred substantially all the risks and rewards of the asset; or
 - b. Has neither transferred nor retained the risks and rewards of the asset but has transferred the control of the asset.



When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. The extent of the Group's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset.

When the Group's continuing involvement takes the form of guaranteeing the transferred asset, the extent of the Group's continuing involvement is the lower of:

- a. The amount of the asset; and
- b. The maximum amount of the consideration received that the Group could be required to repay ('the guarantee amount').

When the Group's continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase. However, in case of a written put option to an asset that is measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price. When the Group's continuing involvement takes the form of a cash-settled option or similar provision on the transferred asset, the extent of the Group's continuing involvement is measured in the same way as that which results from non-cash settled options.

The Group derecognizes a financial asset such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be purchased or originated credit impaired (POCI) assets.

When assessing whether or not to derecognize a loan to a customer, amongst others, the Group considers the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different as set out below, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded. The Group considers a modification substantial based on qualitative factors.

Financial assets are written off either partially or in their entirety only when the Group 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 statement of income.

Financial liabilities

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 are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a



new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

The Group considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of or greater than ten percent (10.00%).

Similar with financial assets, when the modification of a financial liability is not considered substantial, the Group records a modification gain or loss based on the change in cash flows discounted at the original EIR.

Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date ('repos') are not derecognized from the statement of financial position. The corresponding cash received, including accrued interest, is recognized in the statement of financial position as SSURA included in 'Bills payable and SSURA' and is considered as a loan to the Group, reflecting the economic substance of such transaction.

Conversely, securities purchased under agreements to resell at a specified future date ('reverse repos') are not recognized in the statement of financial position. The corresponding cash paid including accrued interest, is recognized in the statement of financial position 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 EIR method.

Reclassification of Financial Assets

The Group 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 Group either begins or ceases to perform an activity that is significant to its operations. The Group applies the reclassification prospectively from the reclassification date (that is, the first day of the next quarterly reporting period following the change in business model) and does not restate any previously recognized gains, losses or interest.

Impairment of Financial Assets

The Group follows the PFRS 9 loss impairment method on financial assets through a forward-looking ECL approach which covers all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts.

Overview of the ECL principles

ECL represents credit losses that reflect an unbiased and probability weighted amount which is based on reasonable and supportable information about past events, current conditions and forecasts of future economic conditions, and time value of money. The ECL allowance is based on the credit losses expected to arise on a 12-month duration if there has been no significant increase in credit risk (SICR) of the financial asset since origination. Otherwise, if a SICR is observed, then the ECL estimation is extended until the end of the life of the financial asset. The 12-month ECL represents the losses that result from default events on a financial asset which may happen within 12 months after the statement of financial position date. The Lifetime ECL, on the other hand, represents the losses that result from default events on a financial asset which may happen over its life. Both Lifetime ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.



The major portfolios of financial assets identified upon initial analysis of the Group's credit exposure are loan receivables, treasury accounts, and other receivables. Loan receivables may be availed by specific individuals, corporations or organizations. Hence, these portfolios can be further segmented to commercial, consumer and credit card portfolios. After segmentation, financial assets are grouped into Stage 1, Stage 2, and Stage 3 as described below.

Definition of "default" and "cure"

The Group defines a financial instrument as in default, which is fully aligned with the definition of non-performing loans that is, credit impaired, in all cases when the borrower becomes more than ninety (90) days past due on its contractual payments. As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikelihood to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (that is, to have cured) when it no longer meets any of the default criteria and has exhibited a satisfactory track record.

Treasury exposures are considered in default upon occurrence of a credit event such as but not limited to bankruptcy of counterparty, restructuring, failure to pay on agreed settlement date, or request for moratorium.

SICR

In order to determine whether an instrument is subject to 12-month or Lifetime ECL, the Group assesses whether there has been a SICR since initial recognition. The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative and qualitative factors. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's internal credit assessment, the borrower or counterparty is determined to have well-defined credit weaknesses (that is, account has been downgraded to adversely classified). These may include adverse trends or developments of financial, managerial, economic or political nature, or a significant weakness in collateral. Credit weakness may be manifested by unfavorable record or unsatisfactory characteristics or may only be potential that deserves management's close attention and may lead to significant losses or may result in collection or liquidation of the outstanding loan amount to be highly improbable. For exposures without internal credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition. The days past due (dpd) are determined by counting the number of days since the earliest elapsed due date in respect of which at least a partial payment has not been received. In subsequent reporting periods, if the credit risk of the financial asset improves over an observable period such that there is no longer a SICR since initial recognition, the Group reverts to recognizing a 12-month ECL.

Staging assessment

For non-credit-impaired financial assets:

- Stage 1 is comprised of all non-impaired financial assets which have not experienced a SICR since initial recognition. The Group recognizes a 12-month ECL for Stage 1 financial assets.
- Stage 2 is comprised of all non-impaired financial assets which have experienced a SICR since initial recognition. The Group recognizes a lifetime ECL for Stage 2 financial assets.

For credit-impaired financial assets:

- Financial assets 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 financial asset or a portfolio of financial assets. ECL for Stage 3 exposure is computed per account, taking into consideration the present value of the expected recoverable cash flows from each transaction.



Financial assets that are credit-impaired on initial recognition are classified as POCI assets. These are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted EIR. ECL is only recognized or released to the extent that there is a subsequent change in the ECLs.

Assessment of ECL on a collective basis

The Group calculates ECL either on an individual or a collective basis. The Group performs collective impairment by grouping exposures into smaller homogenous portfolios based on a combination of borrower and account characteristics. Accounts with similar risk attributes (that is, facility, security, credit rating, months-on-books, utilization and collateral type, etc.) are pooled together for calculating provisions based on the ECL models.

ECL parameters and methodologies

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

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 financial asset is modelled based on historical data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Group 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.

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.

EAD consists of the amortized cost and any accrued interest receivable. For off-balance sheet and undrawn committed amounts, EAD includes a credit conversion factor which is an estimate of any further amount to be drawn at the time of default. For the credit card business, EAD is modelled based on historical data on card limit utilization, level of exposure and time since origination.

The Group applies a simplified ECL approach for its accounts receivables wherein the Group uses a provisioning matrix that considers historical changes in the behavior of the portfolio to predict conditions over the span of a given observation period.

The Parent Company offers credit card facilities, in which it has the right to cancel and/or reduce the facilities with one-day notice. It does not limit its exposure to credit losses to the contractual notice period, but instead, calculates ECL over a period that reflects its expectations of the customers' behavior, their likelihood of default, and its future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and expectations, the period over which ECL is calculated for these products is two (2) years. The interest rate used to discount the ECL for credit cards is based on contractual interest rate. These rates are also used to discount future recoveries over a period of three years. The contractual interest rate is used as discounting factor since the Parent Company estimates that this rate is reflective of the EIR.



Forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of a financial asset has increased significantly since its initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic inputs, such as growth of the gross domestic product, inflation rates, unemployment rates, interest rates and 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 reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The following economic inputs were determined to be statistically significant in measuring ECL:

- GDP growth
- Inflation rate
- Unemployment rate
- Minimum wage
- USD:PHP exchange rate
- Consumer confidence index
- Peso interest rate
- USD interest rate
- WTI crude oil price
- Business confidence index
- GVA of some industries

Debt investment securities measured at FVOCI

The ECL for debt securities at FVOCI does not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in 'Net unrealized gain (loss) on investment securities at FVOCI' as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to profit or loss upon derecognition of these financial assets.

Restructured Loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews and monitors restructured loans until derecognition to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR. The difference between the recorded value of the original loan and the present value of the restructured cash flows, discounted at the original EIR, is recognized in 'Provision for credit and impairment losses' in the statement of income. When the loan has been restructured but not derecognized, the Group also reassesses whether there has been a SICR and considers whether the assets should be classified as Stage 3. If the restructuring terms are substantially different, the loan is derecognized and a new 'asset' is recognized at fair value using the revised EIR.

Collateral Valuation of Financial Assets

Collateral, unless repossessed, is not recorded in the Group's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed every other year. However, some collaterals, for example, cash or securities relating to margining requirements, are valued daily.



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 Group expects to be entitled in exchange for those services.

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Group concluded that it is acting as a principal in all of its revenue arrangements except for certain brokerage transactions. The following specific recognition criteria must also be met before revenue is recognized.

Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers, which are divided into the following two categories:

- a. *Fee income earned from services that are provided over a certain period of time*
Fees earned for the provision of services over a period of time are accrued over that period as the customer simultaneously receives and consumes the benefits provided by the Group. Using an output method, revenue is recognized if the Group has a right to invoice the customer for services directly corresponding to performance completed to date. These fees include investment fund fees, custodian fees, fiduciary fees, asset management fees, and income from trust operations.
- b. *Fee income from providing transaction services*
Fees arising from negotiating or participating in the negotiation of a transaction for a third party - such as commission income, underwriting fees, corporate finance fees, advisory fees and brokerage fees for the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

Discounts earned, membership fees and awards revenue on credit cards

The following table provides information about the nature and timing of the satisfaction of performance obligations for the Parent Company's credit card business including significant payment terms, and the related revenue recognition policies.

Type of Product/Service	Nature and Timing of Satisfaction of Performance Obligations, including Significant Payment Terms	Revenue Recognition under PFRS 15
Discounts earned	Charges arising from credit availments by the Parent Company's and other credit companies' cardholders when the Parent Company is acting as an acquirer. These discounts are computed based on certain agreed rates. These also include interchange income from transactions processed by other acquirers through VISA and Mastercard and fees from cash advance transactions of cardholders.	Recognized as revenue upon receipt from member establishments of charges arising from credit availments by the Parent Company's cardholders and other credit companies' cardholders when the Parent Company is acting as an acquirer.
Membership fees and dues	Periodically charged to cardholders upfront.	Deferred and recorded under 'Deferred revenue' and recognized on a straight-line basis over the period the fee entitles the cardholders to use the card.
Awards revenue	The Parent Company operates a loyalty points program, which allows customers to accumulate points when they purchase from member establishments using the issued card of the Parent Company. The points accumulate and do not expire.	The Parent Company allocates a portion of the consideration received from discounts earned and interchange fees from credit cards to the reward points based on the estimated stand-alone selling prices. The amount allocated to the loyalty program is deferred, and is recognized as revenue when loyalty points are redeemed or the likelihood of the customer redeeming the loyalty points becomes remote.



Revenues outside the scope of PFRS 15

Interest income

For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as investment securities 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 adjusted carrying amount is calculated based on the original EIR. The change in carrying amount is recorded as 'Interest income'. Loan commitment fees that are likely to be drawn down are deferred (together with any incremental costs) and recognized as an adjustment to the EIR of the loan.

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 Group calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

Purchases by credit cardholders, collectible on an installment basis, are recorded at the cost of the items purchased plus a certain percentage of cost. The excess over cost is credited to 'Unearned discount' and is shown as a deduction from 'Loans and receivables' in the statement of financial position. The unearned discount is taken up to interest income over the installment terms and is computed using the EIR method.

Interbank Offered Rate (IBOR) reform Phase 2 requires, as a practical expedient, that changes to the basis for determining contractual cash flows that are necessary as a direct consequence of IBOR reform are treated as a change to a floating rate of interest provided that the transition from IBOR to a risk-free-rate (RFR) takes place on a basis that is 'economically equivalent'. To qualify as 'economically equivalent', the terms of the financial instrument must be the same before and after transition except for the changes required by IBOR reform.

For changes that are not required by IBOR reform, the Group applies judgement to determine whether they result in the financial instrument being derecognized. Therefore, as financial instruments transition from IBOR to RFRs, the Group applies judgment to assess whether the transition has taken place on an economically equivalent basis. In making this assessment, the Group considers the extent of any changes to the contractual cash flows as a result of the transition and the factors that have given rise to the changes, with consideration of both quantitative and qualitative factors. Examples of changes that are economically equivalent include changing the reference interest rate from an IBOR to an RFR, changing the reset period for days between coupons to align with the RFR, adding a fallback to automatically transition to an RFR when the IBOR ceases, and adding a fixed credit adjustment spread based on that calculated by the International Swaps and Derivatives Association or which is implicit in market forward rates for the RFR.

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.



Leasing income - Finance lease

The excess of aggregate lease rentals plus the estimated residual value over the cost of the leased equipment constitutes the unearned lease income. Residual values represent estimated proceeds from the disposal of equipment at the time lease is estimated. The unearned lease income is amortized over the term of the lease, commencing on the month the lease is executed using the EIR method.

Dividend income

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

Trading and securities gain (loss) - net

Results arising from trading activities include all gains and losses from changes in fair value for financial assets and financial liabilities at FVTPL and gains and losses from disposal of debt securities at FVOCI.

Rental income

Rental income arising on leased properties is accounted for on a straight-line basis over the lease terms on ongoing leases and is recorded in the statement of income under 'Leasing'.

Income on receivables financed

Income on loans and receivables financed with short-term maturities is recorded in 'Interest income' and is recognized using the EIR method. Interest and finance fees on finance leases and loans and receivables financed with long-term maturities and the excess of the aggregate lease rentals plus the estimated terminal value of the leased equipment over its cost are credited to unearned discount and amortized over the term of the note or lease using the EIR method.

Cash and Cash Equivalents

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

Property and Equipment

Land is stated at cost and depreciable properties, including buildings, furniture, fixtures and equipment and leasehold improvements, are stated at cost less accumulated depreciation and amortization, and allowance for impairment losses. Such cost includes the cost of replacing part of the property and equipment when that cost is incurred, if the recognition criteria are met but excludes repairs and maintenance costs. Building under construction (BUC) is stated at cost and includes cost of construction and other direct costs. BUC is not depreciated until such time that the relevant asset is completed and put into operational use.

Depreciation is calculated on the straight-line method over the estimated useful life of the depreciable assets. Leasehold improvements are amortized over the shorter of the terms of the covering leases and the estimated useful lives of the improvements. The range of estimated useful lives of property and equipment follows:

Buildings	25 to 50 years
Furniture, fixtures and equipment	2 to 5 years
Leasehold improvements	5 to 20 years



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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use 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 under 'Profit from assets sold' in the year the asset is derecognized.

Investments in Subsidiaries, Associates and a Joint Venture (JV)

Investment in subsidiaries

Subsidiaries pertain to all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights.

Investment in associates

Associates pertain to all entities over which the Group and the Parent Company have significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investment in associates is accounted for under the equity method of accounting.

Investment in a JV

A JV is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the JV. 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. Investment in a JV is accounted for under the equity method of accounting. The Group's investment in a JV represents the 30% interest of PSBank in Sumisho Motor Finance Corporation (SMFC) (Note 11).

Upon loss of significant influence over the associate or joint control over the JV, the Group and the Parent Company measure and recognize any retained investment at its fair value. Any difference between the carrying amount of the associate or JV upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in the statement of income.

Under the equity method, investments in associates and a JV are carried in the statement of financial position at cost plus post-acquisition changes in the Group's and the Parent Company's share of the net assets of the associate or JV less allowance for impairment losses. Post-acquisition changes in the share of net assets of the associate or a JV include the share in the:

- a. Income or losses; and
- b. Unrealized gain or loss on investment securities, remeasurement of retirement plans and others.

Dividends received are treated as a reduction in the carrying values of the investments. Goodwill relating to the associate and a JV is included in the carrying value of the investment and is not amortized.



When the Group and the Parent Company increase its ownership interest in an associate or a JV that continues to be accounted for under the equity method, the cost for the additional interest is added to the existing carrying amount of the associate or JV and the existing interest in the associate or JV is not remeasured. The share in an associate or a JV's post-acquisition profits or losses is recognized in the statement of income as 'Share in net income of subsidiaries, associates and a joint venture' while its share of post-acquisition movements in the associate or JV's equity reserves is recognized directly in the statement of comprehensive income. When the share of losses in an associate or a JV equals or exceeds its interest in the associate or JV, including any other unsecured receivables, the Group and the Parent Company do not recognize further losses, unless it incurred obligations or made payments on behalf of the associate or JV which is recognized as miscellaneous liabilities. Profits and losses resulting from transactions between the Group or the Parent Company and an associate or JV are eliminated to the extent of the Group or the Parent Company's interest in the associate or JV.

Investments in subsidiaries in the separate financial statements are accounted for under the equity method similarly as investments in associates and JV. Equity in other comprehensive income (losses) of subsidiaries and changes therein are included in 'Remeasurement losses on retirement plans', 'Net unrealized gain (loss) on investment securities at FVOCI', and 'Translation adjustments and others', as appropriate, together with the Parent Company in the separate statement of financial position and statement of comprehensive income.

Investment Properties

Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured, in which case, the investment property acquired is measured at the carrying amount of 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 initial recognition of investment properties' under 'Miscellaneous income'. Foreclosed properties are classified under 'Investment properties' upon:

- a. Entry of judgment in case of judicial foreclosure;
- b. Execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or
- c. Notarization of the Deed of Dacion in case of dation in payment (*dacion en pago*).

Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation (for depreciable investment properties) and allowance for impairment losses.

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 under 'Profit from assets sold' in the year of retirement or disposal.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged to operations in the year in which the costs are incurred. Depreciation is calculated on a straight-line basis using the remaining useful lives from the time of acquisition of the investment properties based on appraisal reports but not to exceed 50 years for buildings and condominium units.

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.



Interest in Joint Operations

The Group is a party to joint operations whereby it contributed parcels of land for development into residential and commercial units. In respect of the Group's interest in the joint operations, the Group recognizes the following:

- a. The assets that it controls and the liabilities that it incurs; and
- b. The expenses that it incurs and its share of the income that it earns from the sale of units by the joint operations.

The assets contributed to the joint operations are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale (Note 14).

Chattel Mortgage Properties

Chattel mortgage properties comprise of repossessed vehicles. Chattel mortgage properties are stated at cost less accumulated depreciation and allowance for impairment losses. Depreciation is calculated on a straight-line basis using the remaining useful lives from the time of acquisition of the vehicles. The useful lives of chattel mortgage properties are estimated to be five (5) years.

Subordinated Notes

Subordinated notes issued by Special Purpose Vehicles (SPV) (presented as 'Investment in SPVs' under 'Other assets') are stated at amortized cost reduced by allowance for credit losses. The allowance for credit losses is determined based on the difference between the outstanding principal amount and the recoverable amount which is the present value of the future cash flow expected to be received as payment for the subordinated notes.

Intangible Assets

Software costs

Software costs (presented under 'Other assets') are capitalized on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortized over three to five years on a straight-line basis. Costs associated with maintaining the computer software programs are recognized as expense when incurred. Software costs are carried at cost less accumulated amortization.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. With respect to investments in associates and a JV, goodwill is included in the carrying amounts of the investments. Following initial recognition, goodwill is measured at cost, net of allowance for impairment losses (see accounting policy on "Impairment of Non-financial Assets").

Customized System Development Cost

Customized system development cost consists of payments for customization of various banking systems. This account will be reclassified to appropriate accounts upon completion and will be depreciated and amortized from the time the asset is ready for its intended use (Note 14).

Impairment of Non-financial Assets

Property and equipment, investments in subsidiaries, associates and a JV, investment properties, chattel mortgage properties, intangible assets with finite useful lives and other assets

At each statement of financial position date, the Group 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 Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell (FVLCTS) and its value-in-



use (VIU) and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is assessed as part of the cash generating unit to which it belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to operations in the year in which it arises.

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

Intangible assets with indefinite useful lives and customized system development cost not yet available for use

Intangible assets with indefinite useful lives such as exchange trading right and customized system development cost not yet available for use are tested for impairment annually at statement of financial position date either individually or at the cash generating unit (CGU) level, as appropriate.

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 CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated, an impairment loss is recognized immediately in the statement of income. The Group uses the higher of FVLCTS and VIU using cash flow projections from financial budgets approved by the Board of Directors (BOD) in determining the recoverable amount.

Leases

Group as lessee

The Group assesses at contract inception whether a contract is, or contains a lease. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use (ROU) assets representing the right-of-use of the underlying assets.

ROU assets

The Group recognizes ROU assets (included in 'Property and Equipment') at the commencement date of the lease (that is, the date the underlying asset is available for use). ROU assets are measured at cost less any accumulated depreciation and allowance for impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities



recognized and lease payments made at or before the commencement date less any lease incentives received. ROU assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Office space	2 to 30 years
ATM site and equipment	1 to 5 years

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group 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 (included in 'Interest expense on bills payable and SSURA, bonds payable, subordinated debts and others') 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 or a change in the lease payments.

The Group's lease liabilities are included in Other Liabilities (Note 21).

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office spaces and ATM sites (that is, 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 ATM site and other equipment that are considered to be of low value (that is, those with value of less than ₱250,000). Lease payments on short-term leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Residual value of leased assets and deposits on lease contracts

The residual value of leased assets, which approximates the amount of guaranty deposit paid by the lessee at the inception of the lease, is the estimated proceeds from the sale of the leased asset at the end of the lease term. At the end of the lease term, the residual value of the leased asset is generally applied against the guaranty deposit of the lessee when the lessee decides to buy the leased asset.

Group as lessor

Finance leases, where the Group transfers substantially all the risks and benefits incidental to the ownership of the leased item to the lessee, are included in the statement of financial position under 'Loans and receivables'. All income resulting from the receivable is included in 'Interest income' in the statement of income.

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the year in which they are earned.

Retirement Cost

The Group has a non-contributory defined benefit retirement plans, except for FMIIC and its subsidiary which follow the defined contribution retirement benefit plan and the Mandatory Provident Fund Scheme (MPFS). The retirement cost of the Parent Company and most of its subsidiaries is determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current year. The net defined benefit liability or asset is the aggregate of the present value of the



defined benefit obligation (DBO) at the end of the statement of financial position 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 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 plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost; and
- Net interest on the 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 the statement of income. 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 year in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the statement of income. Retirement expense is presented under 'Compensation and fringe benefits' in the statement of income.

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 the statement on income 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 Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the 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 DBO, 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 Group's right to be reimbursed of some or all of the expenditure required to settle a DBO is recognized as a separate asset at fair value when and only when reimbursement is virtually certain. Payments to the defined contribution retirement benefit plans and the MPFS are recognized as expenses when employees have rendered service entitling them to the contributions.

Equity

When the shares are sold at a premium, the difference between the proceeds and par value is credited to 'Capital paid in excess of par value', net of direct costs incurred related to the equity issuance. If 'Capital paid in excess of par value' is not sufficient, the excess is charged against 'Surplus'. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of stocks issued.

Surplus represents accumulated earnings of the Group less dividends declared.



Own equity instruments which are reacquired or Parent Company's shares acquired by its subsidiaries (treasury stock) are recognized at cost and deducted from equity. No gain or loss is recognized in the statement of income on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in 'Capital paid in excess of par value'. Voting rights related to treasury stocks are nullified and no dividends are allocated. When the stocks are retired, the Common stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to 'Capital paid in excess of par value' at the time the stocks were issued and to 'Surplus' for the remaining balance.

Provisions

Provisions are recognized when the Group 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 Group 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 in the notes to financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the notes to financial statements when an inflow of economic benefits is probable.

Income Taxes

Current taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the statement of financial position date.

Deferred taxes

Deferred tax is provided on temporary differences at the statement of financial position 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, except:

- a. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- b. In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.



Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized except:

- a. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- b. In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each statement of financial position 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 income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year 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 financial position date.

Current tax and deferred tax relating to items recognized directly in equity are recognized in OCI and not in the statement of income.

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

Earnings Per Share

Basic earnings per share is computed by dividing net income for the year attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year. The Group does not have dilutive potential common shares.

Dividends on Common Shares

Cash dividends on common shares are recognized as a liability and deducted from the equity when approved by the BOD of the Parent Company while stock dividends are deducted from equity when approved by the BOD and shareholders of the Parent Company. Dividends declared during the year but are paid or issued after the statement of financial position date are dealt with as a subsequent event.

Debt Issuance Costs

Issuance, underwriting and other related costs incurred in connection with the issuance of debt instruments are deferred and amortized over the terms of the instruments using the EIR method. Unamortized debt issuance costs are included in the related carrying amount of the debt instrument in the statement of financial position.

Capital Securities Issuance Costs

Issuance, underwriting and other related costs incurred in connection with the issuance of the capital securities are treated as a reduction of equity against 'Capital paid in excess of par value'.



Events after the Statement of Financial Position Date

Post year-end events that provide additional information about the Group's position at the statement of financial position date (adjusting event) are reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 6.

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 Parent Company and PSBank act in a fiduciary capacity such as nominee, trustee or agent.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Group's consolidated financial statements.

Effective beginning on or after January 1, 2026

- Amendments to Illustrative Examples on PFRS 7, PFRS 18, PAS 1, PAS 8, PAS 26 and PAS 37, *Disclosures about Uncertainties in the Financial Statements*
- Amendments to PFRS 9 and PFRS 7, *Classification and Measurement of Financial Instruments*
- Amendments to PFRS 9 and PFRS 7, *Contracts Referencing Nature-dependent Electricity*
- Annual Improvements to PFRS Accounting Standards—Volume 11
 - Amendments to PFRS 1, *Hedge Accounting by a First-time Adopter*
 - Amendments to PFRS 7, *Gain or Loss on Derecognition*
 - Amendments to PFRS 9, *Lessee Derecognition of Lease Liabilities and Transaction Price*
 - Amendments to PFRS 10, *Determination of a 'De Facto Agent'*
 - Amendments to PAS 7, *Cost Method*

Effective beginning on or after January 1, 2027

- 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. Thereafter, on February 14, 2025, the FSRSC approved the amendment to PFRS 17 that further defers the date of initial application by an additional two (2) years, to annual periods beginning on or after January 1, 2027. This will provide more time for the insurance industry to fully prepare and assess the impact of adopting the said standard.

The adoption of PFRS 17 will have an impact on the Group's financial statements through the application of the equity method of accounts for its investment in the associate that issues insurance contracts.

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

The standard replaces PAS 1, *Presentation of Financial Statements* and responds to investors' demand for better information about companies' financial performance. Entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new. There are specific presentation requirements and options for entities, such as the Parent Bank and its banking subsidiary, that have specified main business activities (either providing finance to customers or investing in specific type of assets, or both).

The requirements also include:

- Required totals and subtotals in the statement of profit or loss
- Disclosure of management-defined performance measures
- Guidance on aggregation and disaggregation

The Group is currently assessing the impacts the standard will have on the primary financial statements and notes to the financial statements. The Bank and its banking subsidiary consider their main business activities to include the provision of financing to customers and investing in financial assets. In accordance with PFRS 18, some of the income and expenses related to those activities are classified in the operating category, as an exception to the general requirements that would otherwise have resulted in their classification in the investing or financing categories.

- PFRS 19, *Subsidiaries without Public Accountability*
- Amendments to PAS 21, *Translation to a Hyperinflationary Presentation Currency*

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 and Estimates

The preparation of the financial statements in compliance with PFRS Accounting Standards requires the Group to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and the disclosures of contingent assets and contingent liabilities. Future events may occur which can cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable. Judgments and estimates are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following are the critical judgments and key assumptions that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Judgments

a. Classification of financial assets

The Group classifies its financial assets depending on the results of the SPPI test and on the business model used for managing those financial assets.

When performing the SPPI test, the Group applies judgement and evaluates relevant factors and characteristics such as the behavior and nature of contractual cash flows, its original currency denomination, the timing and frequency of interest rate repricing, contingent events that would alter the amount and/or timing of cash flows, leverage features, prepayments or extension options and other features that may modify the consideration for the time value of money.

As a second step, the Group performs business model assessment to reflect how financial assets are managed in order to generate net cash inflows based on the following factors:

- Business objectives and strategies for holding the financial assets;
- Performance measures and benchmarks being used to evaluate the Group's key management personnel accountable to the financial assets;
- Risks associated to the financial assets and the tools applied in managing those risks;
- Compensation structure of business units, including whether based on fair values changes of the investments managed or on the generated cash flows from transactions; and
- Frequency and timing of disposals.

In applying judgment, the Group also considers the circumstances surrounding the transaction as well as the prudential requirements of the BSP.

b. Existence of significant influence over an associate with less than 20.00% ownership

As discussed in Note 11, there are instances that an investor exercises significant influence even if its ownership is less than 20.00%. The Group applies significant judgment in assessing whether it holds significant influence over an investee and considers the following:

- Representation in the BOD or equivalent governing body of the investee;
- Participation in policy-making processes, including participation in decisions about dividends or other distributions;
- Material transactions between the investor and the investee;
- Interchange of managerial personnel;
- Joint voting agreement with other investors; or
- Provision of essential technical information.



c. Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position or disclosed in the notes to financial statements cannot be derived from active markets, these are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but when this is not feasible, a degree of judgment is required in establishing fair values. These judgments may include considerations of liquidity and volatility for longer dated derivatives (Note 5).

d. Contingencies

The Group is currently involved in legal proceedings. The estimate of the probable cost for the resolution of claims has been developed in consultation with and the aid of the outside legal counsel handling the Group's defense in this matter and is based upon an analysis of potential results. It is probable, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (Note 30).

Estimates

a. Credit losses on financial assets

The Group reviews its debt financial assets subject to ECL at least on a semi-annual basis with updating provisions made during the intervals as necessary based on the continuing analysis and monitoring of individual accounts by credit officers. The measurement of credit losses under PFRS 9 across all categories of such financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining credit losses and the assessment of a SICR. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include, among others:

- Segmentation of the portfolio, where the appropriate model or ECL approach is used.
- Criteria for assessing if there has been a SICR and so allowances for debt financial assets should be measured on a lifetime ECL basis and the qualitative assessment. The Group likewise performed quarterly reviews of its credit exposures to determine the occurrence of SICR.
- Segmentation of debt financial assets when their ECL is assessed on a collective basis.
- Development of ECL models, including the various formulas and the choice of inputs. The Parent Company and the Group as a whole continuously review and calibrate their models based on the results of the model validation and regular backtesting.
- Determination of associations between macroeconomic scenarios and economic inputs (such as GDP and inflation rate) and the effect on PDs, LGDs and EADs.
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

The gross carrying amounts of financial assets subject to ECL as of December 31, 2025 and 2024 are disclosed in Note 4, while the related allowances for expected credit losses are disclosed in Note 15. In 2025, 2024 and 2023, provision for credit losses on these financial assets amounted to ₱12.5 billion, ₱6.0 billion and ₱8.0 billion, respectively, for the Group, and ₱10.0 billion, ₱6.2 billion and ₱6.2 billion, respectively, for the Parent Company (Note 15).



b. Recognition of deferred income taxes

Deferred tax assets are recognized for all unused tax losses 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 tax assets and unrecognized deferred tax assets for the Group and the Parent Company are disclosed in Note 28.

c. Impairment of investment in subsidiaries, associates and a JV

The Group assesses impairment on investments in subsidiaries, associates and a JV whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group 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 Group uses the higher of FVLCTS and VIU in determining the recoverable amount of the asset. Based on the Group's impairment testing as of December 31, 2025 and 2024, allowance for impairment losses on investment in associates amounted to ₱0.9 billion and ₱1.5 billion, respectively, for the Group, and ₱77.4 million and ₱101.1 million for the Parent Company.

The carrying values of the property and equipment, investments in subsidiaries, associates and a JV, investment properties, software costs, chattel mortgage properties, and other assets of the Group and the Parent Company are disclosed in Notes 10, 11, 12 and 14, respectively.

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 CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated, an impairment loss is recognized immediately in the statement of income. The recoverable amount of the CGU is determined based on FVLCTS.

The fair value of the CGU is determined using the cost approach, specifically the adjusted Net Asset Value (NAV) method. This method requires the measurement of the fair value of the individual assets and liabilities recognized in the CGU, as well as the fair value of any unrecognized assets and liabilities at the measurement date. The resulting net fair values of the assets and liabilities represent the fair value of the CGU. In determining the fair value of the CGU's net assets, the Group used the discounted cash flow method for unquoted debt financial assets/liabilities at the appropriate market rate, European Embedded Value (EEV) valuation model and adjusted NAV model for unquoted equity investments, and the appraisal reports for the valuation of real properties. Fair values of listed debt and equity securities are based on their quoted market prices. The Group applied the EEV valuation model in determining the appraised value (AV) for its insurance investee company. The AV is determined by aggregating the embedded value (EV) and shareholder's value (SV). EV pertains to the insurance investee



company's present value of future profits and adjusted NAV, while SV considers the value of newly issued contracts / new business value.

In 2025, 2024 and 2023, the Group recognized impairment loss of nil, ₱173.5 million and ₱474.3 million, respectively (Note 15). As of December 31, 2025 and 2024, the carrying amount of the Group's goodwill amounted to ₱4.5 billion.

4. Financial Risk and Capital Management

Introduction

The Group has exposure to the following risks from its use of financial instruments:

- a. Credit;
- b. Liquidity; and
- c. Market risks.

Risk management framework

The BOD has overall responsibility for the oversight of the Parent Company's risk management process. On the other hand, the risk management processes of the subsidiaries are the separate responsibilities of their respective BOD. Supporting the BOD in this function are certain Board-level committees such as Risk Oversight Committee (ROC), Audit Committee (AC), Executive Committee (EXCOM) and senior management committees through the Asset and Liability Committee (ALCO) among others.

The ROC, which is composed primarily of independent members of the BOD, is responsible for overseeing the Parent Company's risk infrastructure, the adequacy and relevance of risk policies, and the compliance to defined risk appetite and levels of exposure. The ROC is assisted in this responsibility by the Risk Management Group (RSK). The RSK undertakes the implementation and execution of the Parent Company's Risk Management framework which involves the identification, assessment, control, monitoring and reporting of risks.

The Parent Company and its subsidiaries manage their respective financial risks separately. The subsidiaries have their own risk management processes but are structured similar to that of the Parent Company. To a certain extent, the respective risk management programs and objectives are the same across the Group. The risk management policies adopted by the subsidiaries and affiliates are aligned with the Parent Company's risk policies. To further promote compliance with PFRS Accounting Standards and Basel III, the Parent Company created a Risk Management Coordinating Council (RMCC) composed of risk officers of the Parent Company and its financial institution subsidiaries.

Credit Risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties, related groups of borrowers, market segments, and industry concentrations, and by monitoring exposures in relation to such limits, among others. The same is true for treasury-related activities. Each business unit is responsible for the quality of its credit portfolio and monitoring and controlling all credit risks in its portfolio. Regular reviews and audits of business units and credit processes are undertaken by the RSK and Internal Audit Group, respectively.



Management of credit risk

The Group faces potential credit risks every time it extends funds to borrowers, commits funds to counterparties, guarantees the paying performance of its clients, invests funds to issuers (for example, investment securities issued by either sovereign or corporate entities) or enter into either market-traded or over-the-counter derivatives, either through implied or actual contractual agreements (that is, on- or off-balance sheet exposures). The Parent Company manages its credit risk at various levels (that is, strategic level, portfolio level down to individual obligor or transaction) by adopting a credit risk management environment that has the following components:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit/financial assessment, risk grading and reporting, and compliance with regulatory requirements;
- Establishment of authorization limits for the approval and renewal of credit facilities;
- Limiting concentrations of exposure to counterparties and industries (for loans), and by the issuer (for investment securities);
- Utilizing the Internal Credit Risk Rating System (ICRRS) or Internal Credit Risk Rating Scorecard for Large Corporates (LCRRS) to categorize exposures according to their risk profile. The risk grading system and scorecard are used for determining loan loss provisions against credit exposures. The current risk grading framework consists of ten grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation; and
- Monitoring compliance with approved exposure limits.

Borrowers, counterparties, or groups of related accounts across the Group are aggregated and managed by the Parent Company's Institutional Banking Sector as the "Control Unit". Group Limits for conglomerates are set-up and approved to guide subsidiaries and affiliates of the Group. Consolidated exposures are regularly reported to senior management, the EXCOM, and the ROC.

Credit risk at initial recognition

The Group uses internal credit assessment and approvals at various levels to determine the credit risk of exposures at initial recognition. Assessment can be quantitative or qualitative and depends on the materiality of the facility or the complexity of the portfolio to be assessed.

Modification

In certain circumstances, the Group 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, change in interest rate and terms, principal amount, maturity date, date and amount of periodic payments and accrual of interest and charges.

On March 24, 2020, Republic Act (RA) No. 11469 or the "Bayanihan to Heal as One Act" (Bayanihan 1) was enacted declaring a state of national emergency over the entire country to control the spread of the COVID-19. Among the provisions of Bayanihan 1 is the implementation of a 30-day grace period for all loans with principal and/or interest falling due within the period of the Enhanced Community Quarantine without incurring interest on interest, on penalties, fees and other charges. Further, on September 11, 2020, RA No. 11494 or the "Bayanihan to Recover as One Act" (Bayanihan 2) was enacted and part of the provisions of the Bayanihan 2 is the implementation of a one-time 60-day grace period to be 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 interest, penalties, fees and other charges, thereby extending the maturity of said loans. In addition, Bayanihan 2 allows loans to be settled on a staggered basis without interest on interests, penalties, fees or other charges until December 31, 2020 or as may be agreed upon by both parties.



The impact of loan modifications as a result of the Bayanihan 1 and Bayanihan 2 Acts amounted to a loss of ₱1.7 billion for the Group and ₱1.2 billion for the Parent Company (which was fully accreted in 2020).

For the year ended December 31, 2025 and 2024, total accretion for the modified loans arising from the Bayanihan 1 and Bayanihan 2 Acts amounted to ₱15.0 million and ₱40.1 million, respectively, for the Group, and nil for the Parent Company.

Maximum exposure to credit risk

An analysis of the maximum credit risk exposure (net of allowance for ECL) relating to financial assets with collateral or credit enhancements is shown below:

	Consolidated							
	2025				2024			
	Maximum Exposure to Credit Risk	Fair Value of Collateral	Financial Effect of Collateral or Credit Enhancement	Net Exposure	Maximum Exposure to Credit Risk	Fair Value of Collateral	Financial Effect of Collateral or Credit Enhancement	Net Exposure
Interbank loans receivable and SPURA (Note 7)	₱841	₱841	₱841	₱–	₱1,466	₱1,499	₱1,466	₱–
Loans and receivables - net								
Receivables from customers								
Commercial loans	342,220	1,782,247	319,983	22,237	319,394	1,448,855	296,017	23,377
Residential mortgage loans	104,195	196,265	93,546	10,649	96,711	184,685	86,473	10,238
Auto loans	120,469	163,778	118,198	2,271	110,938	151,650	109,394	1,544
Trade loans	40,367	39,776	40,337	30	58,479	57,679	58,366	113
Others	249	394	161	88	561	468	306	255
	607,500	2,182,460	572,225	35,275	586,083	1,843,337	550,556	35,527
Accrued interest receivable	4,035	2,286	2,286	1,749	4,009	2,600	2,590	1,419
Sales contract receivable	11	86	11	–	20	92	20	–
	611,546	2,184,832	574,522	37,024	590,112	1,846,029	553,166	36,946
Total	₱612,387	₱2,185,673	₱575,363	₱37,024	₱591,578	₱1,847,528	₱554,632	₱36,946

	Parent Company							
	2025				2024			
	Maximum Exposure to Credit Risk	Fair Value of Collateral	Financial Effect of Collateral or Credit Enhancement	Net Exposure	Maximum Exposure to Credit Risk	Fair Value of Collateral	Financial Effect of Collateral or Credit Enhancement	Net Exposure
Loans and receivables - net								
Receivables from customers								
Commercial loans	311,470	1,729,936	298,890	12,580	290,730	1,394,206	273,665	17,065
Residential mortgage loans	57,787	116,692	57,709	78	53,364	111,532	53,328	36
Auto loans	25,575	61,195	25,107	468	22,971	54,007	22,515	456
Trade loans	40,367	39,776	40,336	31	58,479	57,679	58,366	113
Others	75	111	71	4	421	223	202	219
	435,274	1,947,710	422,113	13,161	425,965	1,617,647	408,076	17,889
Accrued interest receivable	1,469	1,428	1,428	41	1,689	1,658	1,648	41
Sales contract receivable	8	82	8	–	16	84	16	–
	436,751	1,949,220	423,549	13,202	427,670	1,619,389	409,740	17,930
Total	₱436,751	₱1,949,220	₱423,549	₱13,202	₱427,670	₱1,619,389	₱409,740	₱17,930

The maximum exposure to credit risks for the other financial assets is limited to their carrying values as of December 31, 2025 and 2024.

Collaterals on loans and receivables includes real estate and chattel mortgages, guarantees, and other registered securities over assets. Generally, collateral is not held over loans and advances to banks, except for reverse repurchase agreements and certain due from other banks. Collateral usually is not held against investment securities, and no such collateral was held as of December 31, 2025 and 2024. Estimates of fair values of the collateral are based on the value of collateral assessed at the time of borrowing and are regularly updated according to internal lending policies and regulatory guidelines. The Group is not permitted to sell or repledge the collateral in the absence of default by the counterparty.



The following tables show the effect of rights of set-off associated with the recognized financial assets and financial liabilities:

	Gross Carrying Amounts (before Offsetting)	Gross Amounts Offset in Accordance with the Offsetting Criteria	Net Amount Presented in Statement of Financial Position	Effect of Remaining Rights of Set-Off (including Rights to Set-off Financial Collateral) Not Meeting Offsetting Criteria	Fair Value of Financial Collateral	Net Exposure
Financial assets recognized by type						
Consolidated						
2025						
Derivative assets	₱492,911	₱474,095	₱18,816	₱3,642	₱—	₱15,174
SPURA	841	—	841	—	841	—
	₱493,752	₱474,095	₱19,657	₱3,642	₱841	₱15,174
2024						
Derivative assets	₱550,770	₱530,685	₱20,085	₱5,691	₱—	₱14,394
SPURA	1,466	—	1,466	—	1,466	—
	₱552,236	₱530,685	₱21,551	₱5,691	₱1,466	₱14,394
Parent Company						
2025						
Derivative assets	₱492,910	₱474,095	₱18,815	₱3,642	₱—	₱15,173
2024						
Derivative assets	₱550,769	₱530,685	₱20,084	₱5,691	₱—	₱14,393
Financial liabilities recognized by type						
Consolidated						
2025						
Derivative liabilities	₱524,574	₱511,140	₱13,434	₱3,642	₱—	₱9,792
SSURA	407,556	—	407,556	—	407,556	—
	₱932,130	₱511,140	₱420,990	₱3,642	₱407,556	₱9,792
2024						
Derivative liabilities	₱422,684	₱409,387	₱13,297	₱5,691	₱—	₱7,606
SSURA	276,628	—	276,628	—	276,628	—
	₱699,312	₱409,387	₱289,925	₱5,691	₱276,628	₱7,606
Parent Company						
2025						
Derivative liabilities	₱524,574	₱511,140	₱13,434	₱3,642	₱—	₱9,792
SSURA	404,236	—	404,236	—	404,236	—
	₱928,810	₱511,140	₱417,670	₱3,642	₱404,236	₱9,792
2024						
Derivative liabilities	₱422,684	₱409,387	₱13,297	₱5,691	₱—	₱7,606
SSURA	276,628	—	276,628	—	276,628	—
	₱699,312	₱409,387	₱289,925	₱5,691	₱276,628	₱7,606

Excessive risk concentration

Credit risk concentrations can arise whenever a significant number of borrowers have similar characteristics and are affected similarly by changes in economic or other conditions. The Parent Company analyzes the credit risk concentration to an individual borrower, related group of accounts, industry, internal rating buckets, and security. For risk concentration monitoring purposes, the financial assets are broadly categorized into (1) loans and receivables and (2) trading and financial investment securities. To mitigate risk concentration, the Parent Company constantly checks for breaches in regulatory and internal limits.



Concentration of risks of financial assets with credit risk exposure

Below is an analysis of concentrations of credit risk at the statement of financial position date based on carrying amount:

	Consolidated				
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Others***	Total
2025					
Concentration by Industry					
Financial and insurance activities	₱213,936	₱243,115	₱138,967	₱11,614	₱607,632
Activities of households as employers and undifferentiated goods and services and producing activities of households for own use	324,283	—	—	412,207	736,490
Real estate activities	366,671	—	—	16,499	383,170
Wholesale and retail trade, repair of motor vehicles, motorcycles	269,577	—	—	33,569	303,146
Manufacturing	185,701	—	—	15,062	200,763
Transportation and storage, information and communication	258,816	—	—	2,546	261,362
Electricity, gas, steam and air-conditioning supply and water supply, sewerage, waste management and remediation activities	209,506	—	—	6,089	215,595
Construction	69,957	—	—	25,211	95,168
Agricultural, forestry and fishing	23,216	—	—	1,277	24,493
Accommodation and food service activities	22,699	—	—	25	22,724
Others****	83,953	—	1,286,935	18,570	1,389,458
	2,028,315	243,115	1,425,902	542,669	4,240,001
Less allowance for credit losses	51,877	145	322	5,036	57,380
	₱1,976,438	₱242,970	₱1,425,580	₱537,633	₱4,182,621
Concentration by Location					
Philippines	₱1,905,973	₱111,632	₱1,024,878	₱499,211	₱3,541,694
Asia	121,381	100,325	74,410	43,424	339,540
USA	591	15,383	319,700	2	335,676
Europe	19	14,503	—	—	14,522
Others	351	1,272	6,914	32	8,569
	2,028,315	243,115	1,425,902	542,669	4,240,001
Less allowance for credit losses	51,877	145	322	5,036	57,380
	₱1,976,438	₱242,970	₱1,425,580	₱537,633	₱4,182,621
2024					
Concentration by Industry					
Financial and insurance activities	₱222,498	₱313,612	₱141,109	₱7,634	₱684,853
Activities of households as employers and undifferentiated goods and services and producing activities of households for own use	274,048	—	—	332,364	606,412
Real estate activities	329,058	—	—	11,431	340,489
Wholesale and retail trade, repair of motor vehicles, motorcycles	268,149	—	—	31,189	299,338
Manufacturing	204,420	—	1,151	16,387	221,958
Transportation and storage, information and communication	241,964	—	1,020	2,427	245,411
Electricity, gas, steam and air-conditioning supply and water supply, sewerage, waste management and remediation activities	146,103	—	—	5,482	151,585
Construction	72,652	—	—	25,966	98,618
Agricultural, forestry and fishing	21,877	—	—	752	22,629
Accommodation and food service activities	13,922	—	—	14	13,936
Others****	67,773	—	903,005	16,478	987,256
	1,862,464	313,612	1,046,285	450,124	3,672,485
Less allowance for credit losses	46,454	129	321	3,950	50,854
	₱1,816,010	₱313,483	₱1,045,964	₱446,174	₱3,621,631
Concentration by Location					
Philippines	₱1,742,572	₱152,514	₱952,575	₱410,836	₱3,258,497
Asia	118,489	115,667	69,206	39,247	342,609
USA	1,223	11,069	19,537	41	31,870
Europe	53	15,639	448	—	16,140
Others	127	18,723	4,519	—	23,369
	1,862,464	313,612	1,046,285	450,124	3,672,485
Less allowance for credit losses	46,454	129	321	3,950	50,854
	₱1,816,010	₱313,483	₱1,045,964	₱446,174	₱3,621,631



	Parent Company				
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Others***	Total
2025					
Concentration by Industry					
Financial and insurance activities	₱208,377	₱184,242	₱56,567	₱11,055	₱460,241
Activities of households as employers and undifferentiated goods and services and producing activities of households for own use	224,142	—	—	412,208	636,350
Real estate activities	322,253	—	—	16,474	338,727
Wholesale and retail trade, repair of motor vehicles, motorcycles	240,653	—	—	33,569	274,222
Manufacturing	181,041	—	—	15,062	196,103
Transportation and storage, information and communication	256,483	—	—	2,546	259,029
Electricity, gas, steam and air-conditioning supply and water supply, sewerage, waste management and remediation activities	208,189	—	—	6,088	214,277
Construction	41,203	—	—	25,211	66,414
Agricultural, forestry and fishing	22,171	—	—	1,278	23,449
Accommodation and food service activities	22,181	—	—	25	22,206
Others****	30,626	—	1,263,578	2,107	1,296,311
	1,757,319	184,242	1,320,145	525,623	3,787,329
Less allowance for credit losses	44,282	120	315	4,934	49,651
	₱1,713,037	₱184,122	₱1,319,830	₱520,689	₱3,737,678
Concentration by Location					
Philippines	₱1,738,639	₱109,005	₱956,515	₱498,281	₱3,302,440
Asia	17,732	44,378	37,028	27,310	126,448
USA	590	15,154	319,699	—	335,443
Europe	16	14,494	—	—	14,510
Others	342	1,211	6,903	32	8,488
	1,757,319	184,242	1,320,145	525,623	3,787,329
Less allowance for credit losses	44,282	120	315	4,934	49,651
	₱1,713,037	₱184,122	₱1,319,830	₱520,689	₱3,737,678
2024					
Concentration by Industry					
Financial and insurance activities	₱215,819	₱265,320	₱66,403	₱7,166	₱554,708
Activities of households as employers and undifferentiated goods and services and producing activities of households for own use	181,257	—	—	332,364	513,621
Real estate activities	287,644	—	—	11,402	299,046
Wholesale and retail trade, repair of motor vehicles, motorcycles	236,300	—	—	31,189	267,489
Manufacturing	200,862	—	1,150	16,387	218,399
Transportation and storage, information and communication	239,756	—	1,020	2,427	243,203
Electricity, gas, steam and air-conditioning supply and water supply, sewerage, waste management and remediation activities	143,937	—	—	5,482	149,419
Construction	47,870	—	—	25,966	73,836
Agricultural, forestry and fishing	20,930	—	—	752	21,682
Accommodation and food service activities	13,628	—	—	13	13,641
Others****	28,246	—	887,560	563	916,369
	1,616,249	265,320	956,133	433,711	3,271,413
Less allowance for credit losses	38,630	117	310	3,875	42,932
	₱1,577,619	₱265,203	₱955,823	₱429,836	₱3,228,481
Concentration by Location					
Philippines	₱1,584,033	₱151,795	₱890,066	₱409,958	₱3,035,852
Asia	30,824	68,408	41,573	23,714	164,519
USA	1,221	10,844	19,537	39	31,641
Europe	51	15,632	448	—	16,131
Others	120	18,641	4,509	—	23,270
	1,616,249	265,320	956,133	433,711	3,271,413
Less allowance for credit losses	38,630	117	310	3,875	42,932
	₱1,577,619	₱265,203	₱955,823	₱429,836	₱3,228,481

* Comprised of due from BSP, due from other banks and interbank loans receivable and SPURA.

** Comprised of debt securities at FVOCI and investment securities at amortized cost.

*** Comprised of applicable accounts under other assets, financial guarantees and loan commitments and other credit-related liabilities.

**** Comprised of loans and investments to the National Government.



Credit quality per class of financial assets

The credit quality of financial assets is assessed and managed using external and internal ratings (applying ICRRS or LCRRS).

The ICRRS contains the following:

- a. Borrower Risk Rating (BRR) - an assessment of the credit worthiness of the borrower (or guarantor) without considering the type or amount of the facility and security arrangements. It is an indicator of the probability that a borrower cannot meet its credit obligations when they fall due. The components of the assessment are described below:

Component	Description
Financial Condition	Refers to the financial condition of the borrower based on audited financial statements as indicated by certain financial ratios. The Financial Factor Evaluation is conducted manually.
Industry Analysis	Refers to the prospects of the industry, as well as the company's performance and position in the industry.
Management Quality	Refers to the management's ability to run the company successfully.

- b. Adjusted Borrower Risk Rating – takes into consideration risk rating downgrade due to red flags such as financial deterioration, poor account performance, industry weakness, ownership/management issue, adverse news, etc., or upgrade depending on the type of support granted.

Loans and receivables

For the Parent Company, the credit quality is generally monitored using the 10-grade ICRRS, which is integrated in the credit process. The assessment of the borrower's risk rating is performed by the Credit Group and the classification of watchlisted/adversely classified accounts are validated by RSK to maintain accurate and consistent risk ratings/classifications across the credit portfolio. For commercial loans, the credit quality with the corresponding grade and description follows:

High Grade

1 - Excellent

An excellent rating is given to a borrower with a very low probability of going into default and with high degree of stability, substance and diversity. Borrower has access to raise substantial amounts of funds through public market at any time; very strong debt service capacity and has conservative balance sheet ratios. Track record in profit terms is very good. Borrower exhibits highest quality under virtually all economic conditions.

2 - Strong

This rating is given to borrowers with low probability of going into default in the coming year. Normally has a comfortable degree of stability, substance and diversity. Under normal market conditions, borrower has good access to public markets to raise funds. Have a strong market and financial position with a history of successful performance. Overall debt service capacity is deemed very strong; critical balance sheet ratios are conservative. Concerned multinationals or local corporations are well capitalized.

Standard Grade

3 - Good

This rating is given to smaller corporations with limited access to public capital markets or to alternative financial markets during favorable economic and/or market conditions. As it bears characteristics of some degree of stability and substance, probability of default is quite low. However, susceptibility to cyclical changes and more concentration of business risk, by product or market, may be present. Typical is the combination of comfortable asset protection and an acceptable balance sheet structure. Debt service capacity is strong.



4 - Satisfactory

A 'satisfactory' rating is given to a borrower where clear risk elements exist and probability of default is somewhat greater. Due to volatility of earnings and overall performance, borrower normally has limited access to public markets. Borrower should be able to withstand normal business cycles, but any prolonged unfavorable economic period would create deterioration beyond acceptable levels. With the combination of reasonable sound asset and cash flow protection, the debt service capacity is adequate. Reported profits in the past year and is expected to report a profit in the current year.

5 - Acceptable

An 'acceptable' rating is given to a borrower whose risk elements are sufficiently pronounced although borrower should still be able to withstand normal business cycles. Any prolonged unfavorable economic and/or market period would create an immediate deterioration beyond acceptable levels. Risk is still acceptable as there is sufficient cash flow either historically or expected in the future from new business or projected finance transaction; an existing borrower where the nature of the exposure represents a higher risk because of extraordinary developments but for which a decreasing risk within an acceptable period can be expected.

Watchlist Grade

5 - Watchlist

This rating is given to a borrower that belongs to an unfavorable industry or has company-specific risk factors which represent a concern. Operating performance and financial strength may be marginal and it is uncertain if borrower can attract alternative course of finance.

6 - Watchlist

Borrower finds it hard to cope with any significant economic downturn and a default in such a case is more than a possibility. Credit exposure is not at risk of loss at the moment but performance of the borrower has weakened which, unless present trends are reversed, could lead to losses.

Classified Grade

6 - Especially Mentioned

Borrower encounters difficulty to cope with any significant economic downturn and exhibits deteriorating performance that deserve management's close attention. Such deterioration, if left uncorrected, may lead to losses.

7 - Especially Mentioned

This rating is given to a borrower that exhibits pronounced weaknesses that deserve management's close attention. These potential weaknesses, if left uncorrected, may affect the repayment of the loan and thus, increase credit risk of the Group. Classification can be worsened if borrower is endorsed to Special Accounts Management Group for collection.

8 - Substandard

These are loans or portions thereof which appear to involve a substantial and unreasonable degree of risk to the Group because of unfavorable record or unsatisfactory characteristics. There exists the possibility of future losses to the Group unless given closer supervision. Borrower has well-defined weaknesses or weaknesses that jeopardize loan liquidation. Such well-defined weaknesses may include adverse trends or development of financial, managerial, economic or political nature, or a significant weakness in collateral.



9 - Doubtful

This rating is given to a nonperforming borrower whose loans or portions thereof have the weaknesses inherent in those classified as Substandard, with the added characteristics that existing facts, conditions, and values make collection or liquidation in full, highly improbable and in which substantial loss is probable.

10 - Loss

This rating is given to a borrower whose loans or portions thereof are considered uncollectible or worthless and of such little value that their continuance as bankable assets is not warranted although the loans may have some recoveries or salvage value. The amount of loss is difficult to measure and it is not practical or desirable to defer writing off these basically worthless assets even though partial recovery may be obtained in the future.

The credit quality of consumer loan applicants is currently evaluated using quantitative and qualitative criteria. For booked consumer loans, the description of credit quality is as follows:

High Grade

Good credit rating

This rating is given to a good repeat client with very satisfactory track record of its loan repayment (paid at least 50.00%) and whose account did not turn past due during the entire term of the loan.

Standard Grade

Good

A good rating is given to accounts which did not turn past due for 90 days and over.

Limited

This rating is given to borrowers who have average track record on loan repayment (paid less than 50.00%) and whose account did not turn past due for 90 days and over.

Substandard Grade

Poor

A poor rating is given to accounts who reached 90 days past due regardless of the number of times and the number of months past due.

Poor litigation

This rating is given to accounts that were past due for 180 days and over and are currently being handled by lawyers.

Impaired

Poor repossessed

This rating is given to accounts whose collaterals were repossessed.

Poor written-off

This rating is given to accounts that were recommended for write-off.

For booked credit card receivables, the description of credit quality is as follows:

Excellent

These are customers that have exhibited the best payment behavior and are generally those without history of past due which have been paying the outstanding balance in full over a period of twelve (12) months.



Very Satisfactory

These are customers that have exhibited the good payment behavior and are generally those without history of past due but could have revolved over a period of twelve (12) months.

Satisfactory

These are customers that have shown history of past due but not impaired, and are still within the average level of the credit card portfolio which remains to be profitable.

Poor

These are customers that are past due but not yet impaired and could still be cured by collection mitigation strategies.

Default

These are customers that are already impaired. Recovery strategies are needed to reduce exposure to these customers.

Investment securities

In ensuring quality investment portfolio, the Group uses the credit risk rating from the published data providers like Moody's, Standard & Poor's (S&P) or other reputable rating agencies. The following indicates the levels of equivalent credit quality and its relevant external rating:

Credit Quality	External Rating								
High grade	Aaa	Aa1	Aa2	A1	A2	A3	Baa1	Baa2	Baa3
Standard grade	Ba1	Ba2	Ba3	B1	B2				
Substandard grade	B3	Caa1	Caa2	Caa3	Ca	C			
Impaired	D								

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to those rated by external rating agencies as 'Investment grade' (that is, those under High grade in the table above).

The following table shows the credit quality of loans and advances to banks, gross of allowance for credit losses, as of December 31, 2025 and 2024. All loans and advances to banks are classified as Stage 1 in 2025 and 2024.

	Consolidated		Parent Company	
	2025	2024	2025	2024
Due from BSP				
High grade	₱106,042	₱150,128	₱105,641	₱148,945
Due from other banks				
High grade	60,800	81,004	41,151	61,856
Standard grade	3,045	552	1,434	497
Unrated	562	580	63	61
	64,407	82,136	42,648	62,414
Interbank loans receivable and SPURA				
High grade	67,063	81,348	35,953	53,961
Standard Grade	5,603	—	—	—
	72,666	81,348	35,953	53,961
Total loans and advances to banks				
High grade	233,905	312,480	182,745	264,762
Standard grade	8,648	552	1,434	497
Unrated	562	580	63	61
	₱243,115	₱313,612	₱184,242	₱265,320



As of December 31, 2025 and 2024, net increase/(decrease) in interbank loans receivable and SPURA considered as cash and cash equivalents amounted to (₱13.1 billion) and ₱5.8 billion, respectively, for the Group, and (₱20.2 billion) and (₱7.1 billion), respectively, for the Parent Company. As of December 31, 2025 and 2024, net decrease in due from BSP amounted to (₱44.1 billion) and (₱57.7 billion), respectively, for the Group, and (₱43.3 billion) and (₱49.1 billion), respectively, for the Parent Company, and net increase/(decrease) in due from other banks amounted to (₱17.7 billion) and (₱8.5 billion), respectively, for the Group, and (₱19.8 billion) and (₱3.5 billion), respectively, for the Parent Company.

The following table shows the credit quality of investment securities, gross of allowance for credit losses, as of December 31, 2025 and 2024. All investment securities are classified as Stage 1 in 2025 and 2024.

	Consolidated		Parent	
	2025	2024	2025	2024
Debt securities at FVOCI				
Treasury notes and bonds				
High grade	₱459,778	₱372,967	₱421,982	₱350,919
Treasury bills				
High grade	300,324	719	299,594	–
Government				
High grade	113,425	101,896	104,899	99,832
Private				
High grade	35,055	29,607	5,483	3,374
Standard grade	342	339	–	–
	35,397	29,946	5,483	3,374
BSP				
High grade	43,382	65,412	43,382	56,943
Total debt securities at FVOCI				
High grade	951,964	570,601	875,340	511,068
Standard grade	342	339	–	–
	952,306	570,940	875,340	511,068
Investment securities at amortized cost				
Government				
High grade	54,915	55,926	44,305	44,603
Private				
High grade	181	173	–	–
Standard grade	11	1,076	–	–
	192	1,249	–	–
Treasury notes and bonds				
High grade	418,489	418,170	400,500	400,462
Total investment securities at amortized cost				
High grade	473,585	474,269	444,805	445,065
Standard grade	11	1,076	–	–
	473,596	475,345	444,805	445,065
Total debt investment securities				
High grade	1,425,549	1,044,870	1,320,145	956,133
Standard grade	353	1,415	–	–
	₱1,425,902	₱1,046,285	₱1,320,145	₱956,133

As of December 31, 2025 and 2024, purchases of investment in debt securities at FVOCI amounted to ₱1.3 trillion and ₱810.2 billion, respectively, for the Group, and ₱1.0 trillion and ₱414.1 billion, respectively, for the Parent Company. Proceeds from disposals/maturities of investments in debt securities at FVOCI amounted to ₱886.2 billion and ₱780.1 billion, respectively, for the Group, and ₱687.6 billion and ₱350.3 billion, respectively, for the Parent Company. Other movements, which include amortization of premiums/discounts, mark-to-market and foreign exchange revaluations, resulted in a increase in carrying value of debt securities at FVOCI as of December 31, 2025 and 2024 amounting to ₱8.1 billion and ₱6.3 billion, respectively, for the Group, and ₱6.2 billion and ₱4.1 billion, respectively, for the Parent Company.



As of December 2025 and 2024, purchases of investment securities at amortized cost amounted to ₱39.7 billion and ₱8.3 billion, respectively, for the Group, and ₱37.7 billion and ₱5.3 billion, respectively, for the Parent Company, while proceeds from maturities amounted to ₱42.1 billion and ₱2.9 billion, respectively, for the Group, and ₱38.7 billion and nil, respectively, for the Parent Company. Other movements, which include amortization of premiums/discounts and foreign exchange revaluations, resulted in an increase/(decrease) in carrying value of investment securities at amortized cost as of December 31, 2025 and 2024 amounting to ₱0.6 billion and (₱1.0 billion), respectively, for the Group, and ₱0.7 billion and ₱1.0 billion, respectively, for the Parent Company.

The credit quality of receivables from customers, net of unearned discount and capitalized interest, as of December 31, 2025 and 2024 follow:

	Consolidated			Total
	Stage 1	Stage 2	Stage 3	
2025				
Commercial loans				
High grade	₱268,279	₱—	₱—	₱268,279
Standard grade	1,087,043	768	—	1,087,811
Watchlist grade	67,560	543	—	68,103
Classified grade	—	33,347	—	33,347
Sub-standard grade	17	666	—	683
Unrated	—	—	—	—
Non-performing individually impaired	—	—	17,116	17,116
	1,422,899	35,324	17,116	1,475,339
Residential mortgage loans				
High grade	42,073	—	—	42,073
Standard grade	50,379	651	—	51,030
Sub-standard grade	4,900	3,524	—	8,424
Unrated	—	1,316	—	1,316
Non-performing individually impaired	—	—	2,136	2,136
	97,352	5,491	2,136	104,979
Auto loans				
High grade	80,319	—	—	80,319
Standard grade	30,428	120	—	30,548
Sub-standard grade	7	3,449	—	3,456
Unrated	—	5,052	—	5,052
Non-performing individually impaired	—	—	4,409	4,409
	110,754	8,621	4,409	123,784
Credit card				
Standard grade	174,202	—	—	174,202
Sub-standard grade	—	3,700	—	3,700
Non-performing individually impaired	—	—	11,532	11,532
	174,202	3,700	11,532	189,434
Trade loans				
High grade	20,884	—	—	20,884
Standard grade	32,886	—	—	32,886
Watchlist Grade	3,875	15	—	3,890
Classified grade	—	340	—	340
Non-performing individually impaired	—	—	735	735
	57,645	355	735	58,735
Other loans				
High grade	14,268	—	—	14,268
Standard grade	1,987	—	—	1,987
Sub-standard grade	—	1,122	—	1,122
Unrated	16	108	—	124
Non-performing individually impaired	—	—	304	304
	16,271	1,230	304	17,805
Total receivables from customers				
High grade	425,823	—	—	425,823
Standard grade	1,376,925	1,539	—	1,378,464
Watchlist grade	71,435	558	—	71,993
Classified grade	—	33,687	—	33,687
Sub-standard grade	4,924	12,461	—	17,385
Unrated	16	6,476	—	6,492
Non-performing individually impaired	—	—	36,232	36,232
	₱1,879,123	₱54,721	₱36,232	₱1,970,076



	Consolidated			
	Stage 1	Stage 2	Stage 3	Total
2024				
Commercial loans				
High grade	₱272,707	₱—	₱—	₱272,707
Standard grade	977,957	412	—	978,369
Watchlist grade	31,903	52,800	—	84,703
Classified grade	—	6,310	—	6,310
Sub-standard grade	5	536	—	541
Unrated	—	28	—	28
Non-performing individually impaired	—	—	17,515	17,515
	1,282,572	60,086	17,515	1,360,173
Residential mortgage loans				
High grade	38,949	—	—	38,949
Standard grade	44,827	578	—	45,405
Sub-standard grade	6,000	4,446	—	10,446
Unrated	—	1,187	—	1,187
Non-performing individually impaired	—	—	1,871	1,871
	89,776	6,211	1,871	97,858
Auto loans				
High grade	74,349	—	—	74,349
Standard grade	29,438	90	—	29,528
Sub-standard grade	20	3,771	—	3,791
Unrated	—	3,625	—	3,625
Non-performing individually impaired	—	—	2,590	2,590
	103,807	7,486	2,590	113,883
Credit card				
Standard grade	150,087	—	—	150,087
Sub-standard grade	—	3,209	—	3,209
Non-performing individually impaired	—	—	4,649	4,649
	150,087	3,209	4,649	157,945
Trade loans				
High grade	15,728	—	—	15,728
Standard grade	36,480	—	—	36,480
Watchlist Grade	15,116	325	—	15,441
Classified grade	—	198	—	198
Non-performing individually impaired	—	—	464	464
	67,324	523	464	68,311
Other loans				
High grade	13,886	—	—	13,886
Standard grade	1,504	—	—	1,504
Sub-standard grade	9	1,261	—	1,270
Unrated	6	24	—	30
Non-performing individually impaired	—	—	243	243
	15,405	1,285	243	16,933
Total receivables from customers				
High grade	415,619	—	—	415,619
Standard grade	1,240,293	1,080	—	1,241,373
Watchlist grade	47,019	53,125	—	100,144
Classified grade	—	6,508	—	6,508
Sub-standard grade	6,034	13,223	—	19,257
Unrated	6	4,864	—	4,870
Non-performing individually impaired	—	—	27,332	27,332
	₱1,708,971	₱78,800	₱27,332	₱1,815,103

	Parent Company			
	Stage 1	Stage 2	Stage 3	Total
2025				
Commercial loans				
High grade	₱185,802	₱—	₱—	₱185,802
Standard grade	1,077,636	768	—	1,078,404
Watchlist grade	67,560	543	—	68,103
Classified grade	—	33,347	—	33,347
Non-performing individually impaired	—	—	15,486	15,486
	1,330,998	34,658	15,486	1,381,142
Residential mortgage loans				
High grade	953	—	—	953
Standard grade	50,379	651	—	51,030
Sub-standard grade	4,900	634	—	5,534
Non-performing individually impaired	—	—	806	806
	56,232	1,285	806	58,323

(Forward)



	Parent Company			Total
	Stage 1	Stage 2	Stage 3	
Auto loans				
High grade	₱2,838	₱—	₱—	₱2,838
Standard grade	22,679	120	—	22,799
Sub-standard grade	7	19	—	26
Non-performing individually impaired	—	—	261	261
	25,524	139	261	25,924
Credit card				
Standard grade	174,202	—	—	174,202
Sub-standard grade	—	3,700	—	3,700
Non-performing individually impaired	—	—	11,532	11,532
	174,202	3,700	11,532	189,434
Trade loans				
High grade	10,235	—	—	10,235
Standard grade	32,886	—	—	32,886
Watchlist grade	3,875	15	—	3,890
Classified grade	—	340	—	340
Non-performing individually impaired	—	—	735	735
	46,996	355	735	48,086
Other loans				
High grade	14,179	—	—	14,179
Standard grade	1,633	—	—	1,633
Sub-standard grade	—	52	—	52
Non-performing individually impaired	—	—	127	127
	15,812	52	127	15,991
Total receivables from customers				
High grade	214,007	—	—	214,007
Standard grade	1,359,415	1,539	—	1,360,954
Watchlist grade	71,435	558	—	71,993
Classified grade	—	33,687	—	33,687
Sub-standard grade	4,907	4,405	—	9,312
Non-performing individually impaired	—	—	28,947	28,947
	₱1,649,764	₱40,189	₱28,947	₱1,718,900
2024				
Commercial loans				
High grade	₱195,767	₱—	₱—	₱195,767
Standard grade	969,413	412	—	969,825
Watchlist grade	31,903	52,800	—	84,703
Classified grade	—	6,310	—	6,310
Non-performing individually impaired	—	—	15,336	15,336
	1,197,083	59,522	15,336	1,271,941
Residential mortgage loans				
High grade	986	—	—	986
Standard grade	44,827	578	—	45,405
Sub-standard grade	6,000	883	—	6,883
Non-performing individually impaired	—	—	813	813
	51,813	1,461	813	54,087
Auto loans				
High grade	2,582	—	—	2,582
Standard grade	20,433	90	—	20,523
Sub-standard grade	20	16	—	36
Non-performing individually impaired	—	—	283	283
	23,035	106	283	23,424
Credit card				
Standard grade	150,087	—	—	150,087
Sub-standard grade	—	3,209	—	3,209
Non-performing individually impaired	—	—	4,649	4,649
	150,087	3,209	4,649	157,945
Trade loans				
High grade	10,175	—	—	10,175
Standard grade	36,480	—	—	36,480
Watchlist grade	15,116	325	—	15,441
Classified grade	—	198	—	198
Non-performing individually impaired	—	—	464	464
	61,771	523	464	62,758

(Forward)



	Parent Company			Total
	Stage 1	Stage 2	Stage 3	
Other loans				
High grade	₱13,935	₱—	₱—	₱13,935
Standard grade	1,180	—	—	1,180
Sub-standard grade	9	29	—	38
Non-performing individually impaired	—	—	80	80
	15,124	29	80	15,233
Total receivables from customers				
High grade	223,445	—	—	223,445
Standard grade	1,222,420	1,080	—	1,223,500
Watchlist grade	47,019	53,125	—	100,144
Classified grade	—	6,508	—	6,508
Sub-standard grade	6,029	4,137	—	10,166
Non-performing individually impaired	—	—	21,625	21,625
	₱1,498,913	₱64,850	₱21,625	₱1,585,388

Movements during 2025 and 2024 for receivables from customers follow:

	Consolidated			
	Receivables from Customers			
	Stage 1	Stage 2	Stage 3	Total
2025				
Commercial loans				
Balance at January 1, 2025	₱1,282,572	₱60,086	₱17,515	₱1,360,173
Newly originated assets that remained in Stage 1 as at year-end	666,943	—	—	666,943
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	17,091	1,200	18,291
Assets derecognized or repaid	(548,168)	(24,831)	(2,369)	(575,368)
Amounts written-off	—	—	(28)	(28)
Transfers to/(from) Stage 1	16,231	—	—	16,231
Transfers to/(from) Stage 2	—	(17,022)	—	(17,022)
Transfers to/(from) Stage 3	—	—	791	791
Others	5,321	—	7	5,328
Balance at December 31, 2025	1,422,899	35,324	17,116	1,475,339
Residential mortgage loans				
Balance at January 1, 2025	89,776	6,211	1,871	97,858
Newly originated assets that remained in Stage 1 as at year-end	25,298	—	—	25,298
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	74	57	131
Assets derecognized or repaid	(15,981)	(1,760)	(567)	(18,308)
Transfers to/(from) Stage 1	(1,741)	—	—	(1,741)
Transfers to/(from) Stage 2	—	966	—	966
Transfers to/(from) Stage 3	—	—	775	775
Balance at December 31, 2025	97,352	5,491	2,136	104,979
Auto loans				
Balance at January 1, 2025	103,807	7,486	2,590	113,883
Newly originated assets that remained in Stage 1 as at year-end	46,322	—	—	46,322
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	1,631	1,091	2,722
Assets derecognized or repaid	(33,131)	(3,824)	(1,629)	(38,584)
Amounts written-off	—	—	(559)	(559)
Transfers to/(from) Stage 1	(6,244)	—	—	(6,244)
Transfers to/(from) Stage 2	—	3,328	—	3,328
Transfers to/(from) Stage 3	—	—	2,916	2,916
Balance at December 31, 2025	110,754	8,621	4,409	123,784
Credit card				
Balance at January 1, 2025	150,087	3,209	4,649	157,945
Newly originated assets that remained in Stage 1 as at year-end*	15,519	—	—	15,519
Assets derecognized or repaid	(701)	(328)	(366)	(1,395)
Amounts written-off	—	—	(4,294)	(4,294)
Transfers to/(from) Stage 1	(12,359)	—	—	(12,359)
Transfers to/(from) Stage 2	—	2,995	—	2,995
Transfers to/(from) Stage 3	—	—	9,364	9,364
Others**	21,656	(2,176)	2,179	21,659
Balance at December 31, 2025	174,202	3,700	11,532	189,434

(Forward)



	Consolidated			
	Receivables from Customers			Total
	Stage 1	Stage 2	Stage 3	
Trade loans				
Balance at January 1, 2025	₱67,324	₱523	₱464	₱68,311
Newly originated assets that remained in Stage 1 as at year-end	51,651	—	—	51,651
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	230	398	628
Assets derecognized or repaid	(61,771)	(398)	(127)	(62,296)
Others	441	—	—	441
Balance at December 31, 2025	57,645	355	735	58,735
Other loans				
Balance at January 1, 2025	15,405	1,285	243	16,933
Newly originated assets that remained in Stage 1 as at year-end	11,002	—	—	11,002
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	354	4	358
Assets derecognized or repaid	(9,652)	(371)	(26)	(10,049)
Amounts written-off	—	—	(194)	(194)
Transfers to/(from) Stage 1	(119)	—	—	(119)
Transfers to/(from) Stage 2	—	(37)	—	(37)
Transfers to/(from) Stage 3	—	—	156	156
Others	(365)	(1)	121	(245)
Balance at December 31, 2025	16,271	1,230	304	17,805
Total receivables from customers				
Balance at January 1, 2025	1,708,971	78,800	27,332	1,815,103
Newly originated assets that remained in Stage 1 as at year-end	816,735	—	—	816,735
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	19,380	2,750	22,130
Assets derecognized or repaid	(669,404)	(31,512)	(5,084)	(706,000)
Amounts written-off	—	—	(5,075)	(5,075)
Transfers to/(from) Stage 1	(4,232)	—	—	(4,232)
Transfers to/(from) Stage 2	—	(9,770)	—	(9,770)
Transfers to/(from) Stage 3	—	—	14,002	14,002
Others	27,053	(2,177)	2,307	27,183
Balance at December 31, 2025	₱1,879,123	₱54,721	₱36,232	₱1,970,076
2024				
Commercial loans				
Balance at January 1, 2024	₱1,098,643	₱47,499	₱17,860	₱1,164,002
Newly originated assets that remained in Stage 1 as at year-end	682,301	—	—	682,301
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	35,085	6,387	41,472
Assets derecognized or repaid	(495,041)	(29,155)	(5,959)	(530,155)
Amounts written-off	—	—	(883)	(883)
Transfers to/(from) Stage 1	(6,622)	—	—	(6,622)
Transfers to/(from) Stage 2	—	6,542	—	6,542
Transfers to/(from) Stage 3	—	—	80	80
Others	3,291	115	30	3,436
Balance at December 31, 2024	1,282,572	60,086	17,515	1,360,173
Residential mortgage loans				
Balance at January 1, 2024	70,716	20,532	2,203	93,451
Newly originated assets that remained in Stage 1 as at year-end	22,560	—	—	22,560
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	92	72	164
Assets derecognized or repaid	(14,476)	(3,195)	(646)	(18,317)
Transfers to/(from) Stage 1	10,976	—	—	10,976
Transfers to/(from) Stage 2	—	(11,218)	—	(11,218)
Transfers to/(from) Stage 3	—	—	242	242
Balance at December 31, 2024	89,776	6,211	1,871	97,858

(Forward)



	Consolidated			
	Receivables from Customers			Total
	Stage 1	Stage 2	Stage 3	
Auto loans				
Balance at January 1, 2024	₱87,261	₱6,194	₱2,906	₱96,361
Newly originated assets that remained in Stage 1 as at year-end	49,411	—	—	49,411
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	1,391	670	2,061
Assets derecognized or repaid	(27,062)	(4,167)	(1,619)	(32,848)
Amounts written-off	—	—	(1,102)	(1,102)
Transfers to/(from) Stage 1	(5,803)	—	—	(5,803)
Transfers to/(from) Stage 2	—	4,068	—	4,068
Transfers to/(from) Stage 3	—	—	1,735	1,735
Balance at December 31, 2024	103,807	7,486	2,590	113,883
Credit card				
Balance at January 1, 2024	126,916	2,656	3,562	133,134
Newly originated assets that remained in Stage 1 as at year-end*	12,163	—	—	12,163
Assets derecognized or repaid	(637)	(274)	(296)	(1,207)
Amounts written-off	—	—	(10,237)	(10,237)
Transfers to/(from) Stage 1	(8,996)	—	—	(8,996)
Transfers to/(from) Stage 2	—	3,442	—	3,442
Transfers to/(from) Stage 3	—	—	5,554	5,554
Others**	20,641	(2,615)	6,066	24,092
Balance at December 31, 2024	150,087	3,209	4,649	157,945
Trade loans				
Balance at January 1, 2024	50,688	576	354	51,618
Newly originated assets that remained in Stage 1 as at year-end	63,493	—	—	63,493
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	358	122	480
Assets derecognized or repaid	(46,934)	(411)	(12)	(47,357)
Others	77	—	—	77
Balance at December 31, 2024	67,324	523	464	68,311
Other loans				
Balance at January 1, 2024	11,576	988	279	12,843
Newly originated assets that remained in Stage 1 as at year-end	10,840	—	—	10,840
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	362	14	376
Assets derecognized or repaid	(6,392)	(234)	(52)	(6,678)
Amounts written-off	—	—	(223)	(223)
Transfers to/(from) Stage 1	(291)	—	—	(291)
Transfers to/(from) Stage 2	—	167	—	167
Transfers to/(from) Stage 3	—	—	124	124
Others	(328)	2	101	(225)
Balance at December 31, 2024	15,405	1,285	243	16,933
Total receivables from customers				
Balance at January 1, 2024	1,445,800	78,445	27,164	1,551,409
Newly originated assets that remained in Stage 1 as at year-end	840,768	—	—	840,768
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	37,288	7,265	44,553
Assets derecognized or repaid	(590,542)	(37,436)	(8,584)	(636,562)
Amounts written-off	—	—	(12,445)	(12,445)
Transfers to/(from) Stage 1	(10,736)	—	—	(10,736)
Transfers to/(from) Stage 2	—	3,001	—	3,001
Transfers to/(from) Stage 3	—	—	7,735	7,735
Others	23,681	(2,498)	6,197	27,380
Balance at December 31, 2024	₱1,708,971	₱78,800	₱27,332	₱1,815,103

*includes newly booked accounts during the year

**includes drawdowns from existing customers



	Parent Company			
	Receivable from Customers			Total
	Stage 1	Stage 2	Stage 3	
2025				
Commercial loans				
Balance at January 1, 2025	₱1,197,083	₱59,522	₱15,336	₱1,271,941
Newly originated assets that remained in Stage 1 as at year-end	658,218	—	—	658,218
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	16,844	1,100	17,944
Assets derecognized or repaid	(542,215)	(24,559)	(1,265)	(568,039)
Amounts written off	—	—	(20)	(20)
Transfers to/(from) Stage 1	16,828	—	—	16,828
Transfers to/(from) Stage 2	—	(17,149)	—	(17,149)
Transfers to/(from) Stage 3	—	—	321	321
Others	1,084	—	14	1,098
Balance at December 31, 2025	1,330,998	34,658	15,486	1,381,142
Residential mortgage loans				
Balance at January 1, 2025	51,813	1,461	813	54,087
Newly originated assets that remained in Stage 1 as at year-end	15,759	—	—	15,759
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	74	57	131
Assets derecognized or repaid	(10,651)	(736)	(267)	(11,654)
Transfers to/(from) Stage 1	(689)	—	—	(689)
Transfers to/(from) Stage 2	—	486	—	486
Transfers to/(from) Stage 3	—	—	203	203
Balance at December 31, 2025	56,232	1,285	806	58,323
Auto loans				
Balance at January 1, 2025	23,035	106	283	23,424
Newly originated assets that remained in Stage 1 as at year-end	12,727	—	—	12,727
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	45	10	55
Assets derecognized or repaid	(10,102)	(90)	(73)	(10,265)
Amounts written off	—	—	(17)	(17)
Transfers to/(from) Stage 1	(136)	—	—	(136)
Transfers to/(from) Stage 2	—	78	—	78
Transfers to/(from) Stage 3	—	—	58	58
Balance at December 31, 2025	25,524	139	261	25,924
Credit card				
Balance at January 1, 2025	150,087	3,209	4,649	157,945
Newly originated assets that remained in Stage 1 as at year-end*	15,519	—	—	15,519
Assets derecognized or repaid	(701)	(328)	(366)	(1,395)
Amounts written-off	—	—	(4,294)	(4,294)
Transfers to/(from) Stage 1	(12,359)	—	—	(12,359)
Transfers to/(from) Stage 2	—	2,995	—	2,995
Transfers to/(from) Stage 3	—	—	9,364	9,364
Others**	21,656	(2,176)	2,179	21,659
Balance at December 31, 2025	174,202	3,700	11,532	189,434
Trade loans				
Balance at January 1, 2025	61,771	523	464	62,758
Newly originated assets that remained in Stage 1 as at year-end	46,996	—	—	46,996
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	230	398	628
Assets derecognized or repaid	(61,771)	(398)	(127)	(62,296)
Others	—	—	—	—
Balance at December 31, 2025	46,996	355	735	48,086
Other loans				
Balance at January 1, 2025	15,124	29	80	15,233
Newly originated assets that remained in Stage 1 as at year-end	10,787	—	—	10,787
Assets derecognized or repaid	(9,634)	—	—	(9,634)
Amounts written off	—	—	(126)	(126)
Transfers to/(from) Stage 1	(92)	—	—	(92)
Transfers to/(from) Stage 2	—	24	—	24
Transfers to/(from) Stage 3	—	—	68	68
Others	(373)	(1)	105	(269)
Balance at December 31, 2025	15,812	52	127	15,991

(Forward)



	Parent Company			
	Receivable from Customers			
	Stage 1	Stage 2	Stage 3	Total
Total receivables from customers				
Balance at January 1, 2025	₱1,498,913	₱64,850	₱21,625	₱1,585,388
Newly originated assets that remained in Stage 1 as at year-end	760,006	—	—	760,006
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	17,193	1,565	18,758
Assets derecognized or repaid	(635,074)	(26,111)	(2,098)	(663,283)
Amounts written-off	—	—	(4,457)	(4,457)
Transfers to/(from) Stage 1	3,552	—	—	3,552
Transfers to/(from) Stage 2	—	(13,566)	—	(13,566)
Transfers to/(from) Stage 3	—	—	10,014	10,014
Others	22,367	(2,177)	2,298	22,488
Balance at December 31, 2025	₱1,649,764	₱40,189	₱28,947	₱1,718,900

	Parent Company				
	Receivables from Customers				
	Stage 1	Stage 2	Stage 3	POCI	Total
2024					
Commercial loans					
Balance at January 1, 2024	₱1,023,425	₱46,897	₱14,858	₱439	₱1,085,619
Newly originated assets that remained in Stage 1 as at year-end	665,096	—	—	—	665,096
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	34,899	6,317	—	41,216
Assets derecognized or repaid	(487,518)	(28,704)	(5,357)	—	(521,579)
Amounts written off	—	—	(378)	(439)	(817)
Transfers to/(from) Stage 1	(6,179)	—	—	—	(6,179)
Transfers to/(from) Stage 2	—	6,315	—	—	6,315
Transfers to/(from) Stage 3	—	—	(136)	—	(136)
Others	2,259	115	32	—	2,406
Balance at December 31, 2024	1,197,083	59,522	15,336	—	1,271,941
Residential mortgage loans					
Balance at January 1, 2024	49,541	1,831	901	—	52,273
Newly originated assets that remained in Stage 1 as at year-end	13,617	—	—	—	13,617
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	17	25	—	42
Assets derecognized or repaid	(10,613)	(911)	(321)	—	(11,845)
Transfers to/(from) Stage 1	(732)	—	—	—	(732)
Transfers to/(from) Stage 2	—	524	—	—	524
Transfers to/(from) Stage 3	—	—	208	—	208
Balance at December 31, 2024	51,813	1,461	813	—	54,087
Auto loans					
Balance at January 1, 2024	20,394	592	318	—	21,304
Newly originated assets that remained in Stage 1 as at year-end	11,202	—	—	—	11,202
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	19	8	—	27
Assets derecognized or repaid	(8,845)	(155)	(94)	—	(9,094)
Amounts written off	—	—	(15)	—	(15)
Transfers to/(from) Stage 1	284	—	—	—	284
Transfers to/(from) Stage 2	—	(350)	—	—	(350)
Transfers to/(from) Stage 3	—	—	66	—	66
Balance at December 31, 2024	23,035	106	283	—	23,424
Credit card					
Balance at January 1, 2024	126,916	2,656	3,562	—	133,134
Newly originated assets that remained in Stage 1 as at year-end*	12,163	—	—	—	12,163
Assets derecognized or repaid	(637)	(274)	(296)	—	(1,207)
Amounts written-off	—	—	(10,237)	—	(10,237)
Transfers to/(from) Stage 1	(8,996)	—	—	—	(8,996)
Transfers to/(from) Stage 2	—	3,442	—	—	3,442
Transfers to/(from) Stage 3	—	—	5,554	—	5,554
Others**	20,641	(2,615)	6,066	—	24,092
Balance at December 31, 2024	150,087	3,209	4,649	—	157,945

(Forward)



	Parent Company				
	Receivables from Customers				Total
	Stage 1	Stage 2	Stage 3	POCI	
Trade loans					
Balance at January 1, 2024	₱46,934	₱576	₱354	₱—	₱47,864
Newly originated assets that remained in Stage 1 as at year-end	61,771	—	—	—	61,771
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	358	122	—	480
Assets derecognized or repaid	(46,934)	(411)	(12)	—	(47,357)
Balance at December 31, 2024	61,771	523	464	—	62,758
Other loans					
Balance at January 1, 2024	10,444	17	74	—	10,535
Newly originated assets that remained in Stage 1 as at year-end	10,768	—	—	—	10,768
Assets derecognized or repaid	(5,731)	—	(1)	—	(5,732)
Amounts written off	—	—	(108)	—	(108)
Transfers to/(from) Stage 1	(28)	—	—	—	(28)
Transfers to/(from) Stage 2	—	10	—	—	10
Transfers to/(from) Stage 3	—	—	18	—	18
Others	(329)	2	97	—	(230)
Balance at December 31, 2024	15,124	29	80	—	15,233
Total receivables from customers					
Balance at January 1, 2024	1,277,654	52,569	20,067	439	1,350,729
Newly originated assets that remained in Stage 1 as at year-end	774,617	—	—	—	774,617
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	35,293	6,472	—	41,765
Assets derecognized or repaid	(560,278)	(30,455)	(6,081)	—	(596,814)
Amounts written-off	—	—	(10,738)	(439)	(11,177)
Transfers to/(from) Stage 1	(15,651)	—	—	—	(15,651)
Transfers to/(from) Stage 2	—	9,941	—	—	9,941
Transfers to/(from) Stage 3	—	—	5,710	—	5,710
Others	22,571	(2,498)	6,195	—	26,268
Balance at December 31, 2024	₱1,498,913	₱64,850	₱21,625	₱—	₱1,585,388

*includes newly booked accounts during the year

**includes drawdowns from existing customers

The credit quality of other receivables, gross of allowance for credit losses, as of December 31, 2025 and 2024 follows:

	Consolidated			
	Stage 1	Stage 2	Stage 3	Total
2025				
Unquoted debt securities				
High grade	₱—	₱—	₱—	₱—
Non-performing individually impaired	—	—	385	385
	—	—	385	385
Accrued interest receivable				
High grade	19,231	—	—	19,231
Standard grade	6,993	7	—	7,000
Watchlist grade	223	2	—	225
Classified grade	—	115	—	115
Sub-standard grade	23	121	—	144
Unrated	8	138	—	146
Non-performing individually impaired	—	—	223	223
	26,478	383	223	27,084
Sales contract receivable				
Unrated	8	—	—	8
Non-performing individually impaired	—	—	6	6
	8	—	6	14
Other receivables				
Standard grade	8	—	—	8
Unrated	4	—	—	4
Non-performing individually impaired	—	—	2	2
	12	—	2	14

(Forward)



	Consolidated			
	Stage 1	Stage 2	Stage 3	Total
Total other receivables				
High grade	₱19,231	₱–	₱–	₱19,231
Standard grade	7,001	7	–	7,008
Watchlist grade	223	2	–	225
Classified grade	–	115	–	115
Sub-standard grade	23	121	–	144
Unrated	20	138	–	158
Non-performing individually impaired	–	–	616	616
	₱26,498	₱383	₱616	₱27,497
2024				
Unquoted debt securities				
High grade	₱18	₱–	₱–	₱18
Non-performing individually impaired	–	–	385	385
	18	–	385	403
Accrued interest receivable				
High grade	17,159	–	–	17,159
Standard grade	6,798	26	–	6,824
Watchlist grade	1	165	–	166
Classified grade	–	23	–	23
Sub-standard grade	32	155	–	187
Unrated	23	124	–	147
Non-performing individually impaired	–	–	299	299
	24,013	493	299	24,805
Sales contract receivable				
Unrated	16	–	–	16
Non-performing individually impaired	–	–	7	7
	16	–	7	23
Other receivables				
Standard grade	8	–	–	8
Unrated	2	–	–	2
Non-performing individually impaired	–	–	2	2
	10	–	2	12
Total other receivables				
High grade	17,177	–	–	17,177
Standard grade	6,806	26	–	6,832
Watchlist grade	1	165	–	166
Classified grade	–	23	–	23
Sub-standard grade	32	155	–	187
Unrated	41	124	–	165
Non-performing individually impaired	–	–	693	693
	₱24,057	₱493	₱693	₱25,243
Parent Company				
	Stage 1	Stage 2	Stage 3	Total
2025				
Unquoted debt securities				
High grade	₱–	₱–	₱–	₱–
Non-performing individually impaired	–	–	385	385
	–	–	385	385
Accrued interest receivable				
High grade	16,259	–	–	16,259
Standard grade	6,921	7	–	6,928
Watchlist grade	223	2	–	225
Classified grade	–	115	–	115
Sub-standard grade	22	5	–	27
Unrated	7	–	–	7
Non-performing individually impaired	–	–	90	90
	23,432	129	90	23,651
Sales contract receivable				
Unrated	8	–	–	8
Non-performing individually impaired	–	–	2	2
	8	–	2	10
Other receivables				
Non-performing individually impaired	–	–	2	2
	–	–	2	2

(Forward)



	Parent Company			
	Stage 1	Stage 2	Stage 3	Total
Total other receivables				
High grade	₱16,259	₱–	₱–	₱16,259
Standard grade	6,921	7	–	6,928
Watchlist grade	223	2	–	225
Classified grade	–	115	–	115
Sub-standard grade	22	5	–	27
Unrated	15	–	–	15
Non-performing individually impaired	–	–	479	479
	₱23,440	₱129	₱479	₱24,048

	Parent Company			
	Stage 1	Stage 2	Stage 3	Total
2024				
Unquoted debt securities				
High grade	₱18	₱–	₱–	₱18
Non-performing individually impaired	–	–	385	385
	18	–	385	403
Accrued interest receivable				
High grade	14,507	–	–	14,507
Standard grade	6,713	26	–	6,739
Watchlist grade	1	165	–	166
Classified grade	–	23	–	23
Sub-standard grade	32	6	–	38
Unrated	21	–	–	21
Non-performing individually impaired	–	–	209	209
	21,274	220	209	21,703
Sales contract receivable				
Unrated	16	–	–	16
Non-performing individually impaired	–	–	2	2
	16	–	2	18
Other receivables				
Non-performing individually impaired	–	–	2	2
	–	–	2	2
Total other receivables				
High grade	14,525	–	–	14,525
Standard grade	6,713	26	–	6,739
Watchlist grade	1	165	–	166
Classified grade	–	23	–	23
Sub-standard grade	32	6	–	38
Unrated	37	–	–	37
Non-performing individually impaired	–	–	598	598
	₱21,308	₱220	₱598	₱22,126

Movements during 2025 and 2024 for other receivables follow:

	Consolidated			
	Stage 1	Stage 2	Stage 3	Total
2025				
Balance at January 1, 2025	₱24,057	₱493	₱693	₱25,243
Newly originated assets that remained in Stage 1 as at year-end	19,243	–	–	19,243
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	102	69	171
Assets derecognized or repaid	(16,619)	(150)	(118)	(16,887)
Amounts written off	–	–	(21)	(21)
Transfers to/(from) Stage 1	8	–	–	8
Transfers to/(from) Stage 2	–	(68)	–	(68)
Transfers to/(from) Stage 3	–	–	60	60
Others	(191)	6	(67)	(252)
Balance at December 31, 2025	₱26,498	₱383	₱616	₱27,497



	Consolidated			Total
	Stage 1	Stage 2	Stage 3	
2024				
Balance at January 1, 2024	₱20,447	₱796	₱1,014	₱22,257
Newly originated assets that remained in Stage 1 as at year-end	18,306	—	—	18,306
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	184	73	257
Assets derecognized or repaid	(14,695)	(385)	(436)	(15,516)
Amounts written off	—	—	(1)	(1)
Transfers to/(from) Stage 1	59	—	—	59
Transfers to/(from) Stage 2	—	(102)	—	(102)
Transfers to/(from) Stage 3	—	—	43	43
Others	(60)	—	—	(60)
Balance at December 31, 2024	₱24,057	₱493	₱693	₱25,243

	Parent Company			Total
	Stage 1	Stage 2	Stage 3	
2025				
Balance at January 1, 2025	₱21,308	₱220	₱598	₱22,126
Newly originated assets that remained in Stage 1 as at year-end	18,236	—	—	18,236
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	53	29	82
Assets derecognized or repaid	(15,983)	(70)	(82)	(16,135)
Transfers to/(from) Stage 1	79	—	—	79
Transfers to/(from) Stage 2	—	(80)	—	(80)
Transfers to/(from) Stage 3	—	—	1	1
Others	(200)	6	(67)	(261)
Balance at December 31, 2025	₱23,440	₱129	₱479	₱24,048
2024				
Balance at January 1, 2024	₱16,760	₱284	₱870	₱17,914
Newly originated assets that remained in Stage 1 as at year-end	17,044	—	—	17,044
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	140	47	187
Assets derecognized or repaid	(12,478)	(220)	(320)	(13,018)
Amounts written off	—	—	(1)	(1)
Transfers to/(from) Stage 1	(18)	—	—	(18)
Transfers to/(from) Stage 2	—	16	—	16
Transfers to/(from) Stage 3	—	—	2	2
Balance at December 31, 2024	₱21,308	₱220	₱598	₱22,126

The credit risk exposure on the accounts receivable of the Group and the Parent Company based on their aging as of December 31, 2025 and 2024 follows:

Age of accounts receivables	Consolidated		Parent Company	
	2025	2024	2025	2024
Current	₱952	₱—	₱—	₱—
Up to 1 month	25,627	17,494	10,837	4,809
> 1 to 2 months	47	312	27	277
> 2 to 3 months	32	94	22	75
More than 3 months	4,084	4,218	3,485	3,574
Total gross carrying amount	₱30,742	₱22,118	₱14,371	₱8,735

The maximum exposure and credit quality of loan commitments and financial guarantees as of December 31, 2025 and 2024 follows:

	Consolidated			Total
	Stage 1	Stage 2	Stage 3	
2025				
High grade	₱16,093	₱—	₱—	₱16,093
Standard grade	410,533	704	—	411,237
Substandard grade	—	—	1,000	1,000
Unrated	107,932	892	11	108,835
	₱534,558	₱1,596	₱1,011	₱537,165
2024				
High grade	₱15,501	₱—	₱—	₱15,501
Standard grade	331,070	568	—	331,638
Substandard grade	—	—	806	806
Unrated	86,416	10,917	8	97,341
	₱432,987	₱11,485	₱814	₱445,286



	Parent Company			
	Stage 1	Stage 2	Stage 3	Total
2025				
Standard grade	₱410,504	₱704	₱—	₱411,208
Substandard grade	—	—	1,000	1,000
Unrated	107,931	892	11	108,834
	₱518,435	₱1,596	₱1,011	₱521,042
2024				
Standard grade	₱330,990	₱568	₱—	₱331,558
Substandard grade	—	—	806	806
Unrated	86,416	10,917	8	97,341
	₱417,406	₱11,485	₱814	₱429,705

Movements during 2025 and 2024 for loan commitments and financial guarantees follow:

	Consolidated			
	Stage 1	Stage 2	Stage 3	Total
2025				
Balance at January 1, 2025	₱432,987	₱11,485	₱814	₱445,286
New assets originated or purchased	113,435	—	—	113,435
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	57	—	57
Assets derecognized or repaid	(70,613)	(10,735)	(964)	(82,312)
Transfers to/(from) Stage 1	415	—	—	415
Transfers to/(from) Stage 2	—	(363)	—	(363)
Transfers to/(from) Stage 3	—	—	(52)	(52)
Others	58,334	1,152	1,213	60,699
Balance at December 31, 2025	₱534,558	₱1,596	₱1,011	₱537,165
2024				
Balance at January 1, 2024	₱365,607	₱3,139	₱859	₱369,605
New assets originated or purchased	74,899	—	—	74,899
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	14	—	14
Assets derecognized or repaid	(39,198)	(711)	(1,083)	(40,992)
Transfers to/(from) Stage 1	(5,098)	—	—	(5,098)
Transfers to/(from) Stage 2	—	3,955	—	3,955
Transfers to/(from) Stage 3	—	—	1,143	1,143
Others	36,777	5,088	(105)	41,760
Balance at December 31, 2024	₱432,987	₱11,485	₱814	₱445,286

	Parent Company			
	Stage 1	Stage 2	Stage 3	Total
2025				
Balance at January 1, 2025	₱417,406	₱11,485	₱814	₱429,705
New assets originated or purchased	113,435	—	—	113,435
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	57	—	57
Assets derecognized or repaid	(70,271)	(10,735)	(964)	(81,970)
Transfers to/(from) Stage 1	415	—	—	415
Transfers to/(from) Stage 2	—	(363)	—	(363)
Transfers to/(from) Stage 3	—	—	(52)	(52)
Others	57,450	1,152	1,213	59,815
Balance at December 31, 2025	₱518,435	₱1,596	₱1,011	₱521,042
2024				
Balance at January 1, 2024	₱348,929	₱3,139	₱859	₱352,927
New assets originated or purchased	74,899	—	—	74,899
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	14	—	14
Assets derecognized or repaid	(37,798)	(711)	(1,083)	(39,592)
Transfers to/(from) Stage 1	(5,098)	—	—	(5,098)
Transfers to/(from) Stage 2	—	3,955	—	3,955
Transfers to/(from) Stage 3	—	—	1,143	1,143
Others	36,474	5,088	(105)	41,457
Balance at December 31, 2024	₱417,406	₱11,485	₱814	₱429,705



Breakdown of restructured receivables from customers by class are shown below:

	Consolidated		Parent Company	
	2025	2024	2025	2024
Commercial loans	₱6,205	₱3,827	₱6,057	₱3,453
Residential mortgage loans	66	86	37	43
Others	—	1	—	—
	₱6,271	₱3,914	₱6,094	₱3,496

As of December 31, 2025 and 2024, an analysis by past due status of receivables from customers wherein the SICR is based only on the past due information is as follows:

	Consolidated					
	Number of Days Past Due					
	Within 30 Days	31-60 Days	61-90 Days	91-180 Days	Over 180 Days	Total
2025						
Auto loans	₱251	₱3,685	₱1,636	₱1,739	₱2,177	₱9,488
Residential mortgage loans	944	1,172	445	378	962	3,901
Credit card	—	2,131	3,434	3,002	11,488	20,055
	₱1,195	₱6,988	₱5,515	₱5,119	₱14,627	₱33,444
2024						
Auto loans	₱135	₱2,653	₱1,067	₱1,145	₱1,239	₱6,239
Residential mortgage loans	794	1,175	278	231	961	3,439
Credit card	—	1,728	1,481	2,769	1,880	7,858
	₱929	₱5,556	₱2,826	₱4,145	₱4,080	₱17,536
	Parent Company					
	Number of Days Past Due					
	Within 30 Days	31-60 Days	61-90 Days	91-180 Days	Over 180 Days	Total
2025						
Auto loans	₱21	₱11	₱18	₱16	₱212	₱278
Residential mortgage loans	276	67	53	68	415	879
Credit card	—	2,131	3,434	3,002	11,488	20,055
	₱297	₱2,209	₱3,505	₱3,086	₱12,115	₱21,212
2024						
Auto loans	₱29	₱11	₱5	₱7	₱237	₱289
Residential mortgage loans	221	135	14	54	422	846
Credit card	—	1,728	1,481	2,769	1,880	7,858
	₱250	₱1,874	₱1,500	₱2,830	₱2,539	₱8,993

Liquidity Risk

Liquidity risk is the current and prospective risk to earnings or capital arising from the inability to meet its obligations when they become due. This may be caused by the inability to liquidate assets or to obtain funding to meet the liquidity needs. The Group manages its liquidity risk by holding adequate stock of high-quality liquid assets, analyzing net funding requirements over time, diversifying funding sources and contingency planning.

To measure the prospective liquidity needs, the Group uses Maximum Cumulative Outflow (MCO), a liquidity gap tool to project short-term and long-term cash flow expectations on a business-as-usual condition.

The MCO is generated by distributing the cash flows of the Group'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, projections on business strategies, and/or optionality of certain products. The incorporation of behavioral cash flow assumptions and business projections or targets results in a dynamic gap report 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 Group 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 Group is said to have a negative liquidity gap or has funding needs for the given time bucket.

The MCO is monitored regularly to ensure that it remains within the set limits. The Parent Company generates and monitors daily its MCO, while the subsidiaries generate the report at least monthly. The liquidity profile of the Group is reported monthly to the Parent Company's ALCO and ROC.

To supplement the business-as-usual scenario parameters reflected in the MCO report, the Group also conducts liquidity stress testing to determine the impact of extreme factors, scenarios and/or events to the Group's liquidity profile. Liquidity stress testing exercise is performed quarterly on a per firm basis, and at least annually on the Group-wide level.

Financial assets

Analysis of debt securities into maturity groupings is based on the expected date on which these assets will be realized. For other financial assets, the analysis into maturity groupings 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 groupings are based on the remaining period from the end of the reporting period to the contractual maturity date. When a counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Group can be required to pay.

The tables below summarize the maturity profile of financial instruments and gross-settled derivatives based on contractual undiscounted cash flows:

	Consolidated						Total
	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	
2025							
Financial Assets							
Cash and other cash items	₱34,577	₱–	₱–	₱–	₱–	₱–	₱34,577
Due from BSP	106,042	–	–	–	–	–	106,042
Due from other banks	53,198	6,331	4,771	148	9	–	64,457
Interbank loans receivable and SPURA	59	43,940	6,434	12,347	9,913	–	72,693
Investment securities at FVTPL							
FVTPL investments	–	37	95,440	–	–	98	95,575
Derivative assets							
Trading:							
Receive	–	142,523	76,542	46,180	25,938	202,970	494,153
Pay	–	(140,296)	(75,080)	(45,027)	(24,289)	(190,666)	(475,358)
	–	2,227	1,462	1,153	1,649	12,304	18,795
Investment securities at FVOCI	–	355,924	8,321	17,546	20,388	735,562	1,137,741
Investment securities at amortized cost	–	543	5,326	3,127	7,681	575,468	592,145
Loans and receivables							
Receivables from customers	118,699	308,000	188,176	129,627	128,221	1,519,934	2,392,657
Accrued interest receivable	120	24,038	392	1,064	101	1,369	27,084
Accounts receivable	12,871	17,738	45	17	39	32	30,742
Sales contract receivable	9	–	1	1	3	–	14
Other receivables	5	7	–	–	–	2	14
Other assets							
Returned checks and other cash items	555	–	–	–	–	–	555
Residual values of leased assets	35	9	13	20	41	247	365
Miscellaneous	309	152	1,096	5	15	198	1,775
	₱326,479	₱758,946	₱311,477	₱165,055	₱168,060	₱2,845,214	₱4,575,231



	Consolidated						
	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	Total
Financial Liabilities							
Non-derivative liabilities							
Deposit liabilities							
Demand	₱642,415	₱—	₱—	₱—	₱—	₱—	₱642,415
Savings	932,693	—	—	—	—	—	932,693
Time	558	800,671	193,379	57,397	17,266	21,702	1,090,973
	1,575,666	800,671	193,379	57,397	17,266	21,702	2,666,081
Bills payable and SSURA	—	469,839	18,175	17,173	1,177	27,381	533,745
Manager's checks and demand drafts outstanding	7,293	—	—	—	—	—	7,293
Accrued interest payable	315	5,063	1,630	1,018	226	185	8,437
Accrued other expenses	6,711	523	1,911	—	2	—	9,147
Bonds payable	—	29,404	151	830	20,907	81,762	133,054
Other liabilities							
Lease liability	—	264	377	452	840	5,743	7,676
Bills purchased – contra	14,175	—	—	—	—	—	14,175
Accounts payable	11,244	31,408	162	222	322	12	43,370
Marginal deposits	1,429	3,287	748	3,758	5,468	1,261	15,951
Outstanding acceptances	—	303	605	362	277	—	1,547
Deposits on lease contracts	57	30	22	57	72	418	656
Dividends payable	121	—	—	—	—	—	121
Miscellaneous	237	—	—	—	—	—	237
	1,617,248	1,340,792	217,160	81,269	46,557	138,464	3,441,490
Derivative liabilities*							
Trading:							
Pay	—	203,803	82,865	51,849	29,488	158,249	526,254
Receive	—	(201,501)	(81,805)	(49,899)	(28,747)	(151,214)	(513,166)
		2,302	1,060	1,950	741	7,035	13,088
Loan commitments and financial guarantees	415,240	14,189	18,527	29,102	33,992	26,115	537,165
	₱2,032,488	₱1,357,283	₱236,747	₱112,321	₱81,290	₱171,614	₱3,991,743
2024							
Financial Assets							
Cash and other cash items	₱33,726	₱—	₱—	₱—	₱—	₱—	₱33,726
Due from BSP	150,128	—	—	—	—	—	150,128
Due from other banks	73,488	4,639	3,896	130	27	—	82,180
Interbank loans receivable and SPURA	400	65,931	8,637	2,819	3,596	—	81,383
Investment securities at FVTPL							
FVTPL investments	300	78	208,390	—	—	77	208,845
Derivative assets							
Trading:							
Receive	—	159,815	101,325	48,844	48,644	160,018	518,646
Pay	—	(156,199)	(98,617)	(47,550)	(45,501)	(153,279)	(501,146)
	—	3,616	2,708	1,294	3,143	6,739	17,500
Investment securities at FVOCI	—	77,327	12,750	10,081	55,857	570,221	726,236
Investment securities at amortized cost	—	716	5,664	488	3,387	610,332	620,587
Loans and receivables							
Receivables from customers	102,348	274,872	240,357	120,022	124,666	1,314,491	2,176,756
Unquoted debt securities	—	—	18	—	—	—	18
Accrued interest receivable	499	22,813	230	1	509	753	24,805
Accounts receivable	9,931	11,550	46	38	65	488	22,118
Sales contract receivable	11	1	1	2	3	5	23
Other receivables	2	1	2	1	2	4	12
Other assets							
Returned checks and other cash items	232	—	—	—	—	—	232
Residual values of leased assets	54	29	10	18	57	223	391
Miscellaneous	180	1	1,170	2	15	190	1,558
	₱371,299	₱461,574	₱483,879	₱134,896	₱191,327	₱2,503,523	₱4,146,498



	Consolidated						Total
	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	
Financial Liabilities							
Non-derivative liabilities							
Deposit liabilities							
Demand	₱608,370	₱—	₱—	₱—	₱—	₱—	₱608,370
Savings	879,568	—	—	—	—	—	879,568
Time	10,655	831,391	144,379	46,214	24,045	35,533	1,092,217
	1,498,593	831,391	144,379	46,214	24,045	35,533	2,580,155
Bills payable and SSURA	—	188,692	28,398	57,434	28,293	—	302,817
Manager's checks and demand drafts outstanding	6,901	—	—	—	—	—	6,901
Accrued interest payable	376	6,607	1,926	1,180	415	17	10,521
Accrued other expenses	7,945	493	1,822	1	—	—	10,261
Bonds payable	—	9	112	775	2,271	126,852	130,019
Other liabilities							
Lease liability	29	197	534	404	728	5,275	7,167
Bills purchased – contra	13,889	—	—	—	—	—	13,889
Accounts payable	15,203	24,267	243	87	232	2	40,034
Marginal deposits	2,054	2,613	4,256	5,484	4,394	—	18,801
Outstanding acceptances	—	702	369	48	59	—	1,178
Deposits on lease contracts	86	55	14	21	125	364	665
Dividends payable	88	—	—	—	—	—	88
Miscellaneous	6	—	—	—	—	—	6
	1,545,170	1,055,026	182,053	111,648	60,562	168,043	3,122,502
Derivative liabilities*							
Trading:							
Pay	—	132,347	92,617	33,500	53,231	92,943	404,638
Receive	—	(128,958)	(90,132)	(32,371)	(49,704)	(89,121)	(390,286)
	—	3,389	2,485	1,129	3,527	3,822	14,352
Loan commitments and financial guarantees							
	337,105	7,486	25,739	14,677	38,530	21,749	445,286
	₱1,882,275	₱1,065,901	₱210,277	₱127,454	₱102,619	₱193,614	₱3,582,140

*Does not include derivatives embedded in financial and non-financial contracts.

	Parent Company						Total
	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	
2025							
Financial Assets							
Cash and other cash items	₱32,871	₱—	₱—	₱—	₱—	₱—	₱32,871
Due from BSP	105,641	—	—	—	—	—	105,641
Due from other banks	36,900	2,862	2,925	—	—	—	42,687
Interbank loans receivable and SPURA	—	34,600	1,380	—	—	—	35,980
Investment securities at FVTPL							
FVTPL investments	—	—	95,440	—	—	98	95,538
Derivative assets							
Trading:							
Receive	—	142,521	76,542	46,177	25,937	202,970	494,147
Pay	—	(140,296)	(75,080)	(45,027)	(24,289)	(190,666)	(475,358)
		2,225	1,462	1,150	1,648	12,304	18,789
Investment securities at FVOCI	—	343,606	—	15,155	13,477	677,228	1,049,466
Investment securities at amortized cost	—	—	4,240	—	4,451	548,910	557,601
Loans and receivables							
Receivables from customers	115,841	297,416	169,702	103,268	75,418	1,271,164	2,032,809
Accrued interest receivable	—	23,651	—	—	—	—	23,651
Accounts receivable	14,371	—	—	—	—	—	14,371
Sales contract receivable	5	—	1	1	3	—	10
Other receivables	2	—	—	—	—	—	2
Other assets							
Returned checks and other cash items	533	—	—	—	—	—	533
Miscellaneous	—	151	1,094	—	—	—	1,245
	₱306,164	₱704,511	₱276,244	₱119,574	₱94,997	₱2,509,704	₱4,011,194

(Forward)



	Parent Company						
	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	Total
Financial Liabilities							
Non-derivative liabilities							
Deposit liabilities							
Demand	₱586,157	₱–	₱–	₱–	₱–	₱–	₱586,157
Savings	884,817	–	–	–	–	–	884,817
Time	110	714,166	154,992	25,532	11,625	399	906,824
	1,471,084	714,166	154,992	25,532	11,625	399	2,377,798
Bills payable and SSURA	–	453,586	11,547	16,147	–	27,381	508,661
Manager’s checks and demand drafts outstanding	6,478	–	–	–	–	–	6,478
Accrued interest payable	17	4,815	1,453	843	88	108	7,324
Accrued other expenses	6,510	–	–	–	–	–	6,510
Bonds payable	–	29,404	112	759	20,759	74,058	125,092
Other liabilities							
Lease liability	–	204	91	253	490	4,647	5,685
Bills purchased - contra	14,175	–	–	–	–	–	14,175
Accounts payable	5,544	13,466	–	–	–	–	19,010
Outstanding acceptances	–	303	605	362	277	–	1,547
Marginal deposits	–	–	399	–	–	–	399
	1,503,808	1,215,944	169,199	43,896	33,239	106,593	3,072,679
Derivative liabilities*							
Trading:							
Pay	–	203,802	82,865	51,849	29,487	158,249	526,252
Receive	–	(201,501)	(81,805)	(49,899)	(28,747)	(151,214)	(513,166)
	–	2,301	1,060	1,950	740	7,035	13,086
Loan commitments and financial guarantees							
	415,210	10,119	17,284	18,322	33,992	26,115	521,042
	₱1,919,018	₱1,228,364	₱187,543	₱64,168	₱67,971	₱139,743	₱3,606,807
2024							
Financial Assets							
Cash and other cash items	₱31,929	₱–	₱–	₱–	₱–	₱–	₱31,929
Due from BSP	148,945	–	–	–	–	–	148,945
Due from other banks	58,916	220	3,304	–	–	–	62,440
Interbank loans receivable and SPURA	–	52,539	1,455	–	–	–	53,994
Investment securities at FVTPL							
FVTPL investments	–	–	208,387	–	–	77	208,464
Derivative assets							
Trading:							
Receive	–	159,814	101,325	48,843	48,644	160,018	518,644
Pay	–	(156,199)	(98,617)	(47,550)	(45,501)	(153,279)	(501,146)
	–	3,615	2,708	1,293	3,143	6,739	17,498
Investment securities at FVOCI	–	62,076	7,125	4,623	50,589	536,658	661,071
Investment securities at amortized cost	–	–	5,163	–	–	578,520	583,683
Loans and receivables							
Receivables from customers	98,788	264,787	220,216	92,977	91,963	1,075,732	1,844,463
Unquoted debt securities	–	–	18	–	–	–	18
Accrued interest receivable	–	21,703	–	–	–	–	21,703
Accounts receivable	8,735	–	–	–	–	–	8,735
Sales contract receivable	7	1	1	2	3	5	19
Other receivables	2	–	–	–	–	–	2
Other assets							
Returned checks and other cash items	215	–	–	–	–	–	215
Miscellaneous	–	–	1,169	–	–	–	1,169
	₱347,537	₱404,941	₱449,546	₱98,895	₱145,698	₱2,197,731	₱3,644,348
Financial Liabilities							
Non-derivative liabilities							
Deposit liabilities							
Demand	₱559,133	₱–	₱–	₱–	₱–	₱–	₱559,133
Savings	832,157	–	–	–	–	–	832,157
Time	65	775,569	116,262	25,284	16,079	534	933,793
	1,391,355	775,569	116,262	25,284	16,079	534	2,325,083
Bills payable and SSURA	–	179,525	27,175	54,954	27,025	–	288,679
Manager’s checks and demand drafts outstanding	5,286	–	–	–	–	–	5,286

(Forward)



	Parent Company						Total
	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	
Accrued interest payable	₱14	₱6,141	₱1,785	₱1,180	₱339	₱17	₱9,476
Accrued other expenses	7,749	—	—	—	—	—	7,749
Bonds payable	—	9	112	775	2,271	124,474	127,641
Other liabilities							
Lease liability	29	159	87	234	430	4,237	5,176
Bills purchased - contra	13,889	—	—	—	—	—	13,889
Accounts payable	8,190	12,475	—	—	—	—	20,665
Outstanding acceptances	—	702	369	48	59	—	1,178
Marginal deposits	—	—	17	—	—	—	17
	1,426,512	974,580	145,807	82,475	46,203	129,262	2,804,839
Derivative liabilities*							
Trading:							
Pay	—	132,347	92,616	33,499	53,231	92,943	404,636
Receive	—	(128,958)	(90,132)	(32,371)	(49,704)	(89,121)	(390,286)
	—	3,389	2,484	1,128	3,527	3,822	14,350
Loan commitments and financial guarantees	337,025	7,486	25,739	14,677	23,029	21,749	429,705
	₱1,763,537	₱985,455	₱174,030	₱98,280	₱72,759	₱154,833	₱3,248,894

*Does not include derivatives embedded in financial and non-financial contracts.

Market Risk

Market risk is the possibility of loss to future earnings, fair values or future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, and other market factors. Market risk originates from holdings in foreign currencies, debt securities and derivatives transactions.

Depending on the business model for the product, that is, whether they belong to the trading book or banking book, the Group applies different tools and processes to manage market risk exposures. Risk limits, approved by the BOD, are enforced to monitor and control this risk. RSK, as an independent body under the ROC, performs daily market risk analyses to ensure compliance to policies and limits, while Treasury Group manages the asset/liability risks arising from both banking book and trading operations in financial markets. The ALCO, chaired by the President, manages market risks within the parameters approved by the BOD.

As part of group supervision, the Parent Company regularly coordinates with subsidiaries to monitor their compliance to their respective risk tolerances and to ensure alignment of risk management practices. Each subsidiary has its own risk management unit responsible for monitoring its market risk exposures. The Parent Company, however, requires regular submission of market risk profiles from subsidiaries which are presented to ALCO and ROC in both individual and consolidated forms to provide senior management and ROC a holistic perspective and ensure alignment of strategies and risk appetite across the Group.

Market risk - trading book

In measuring the potential loss in its trading portfolio, the Parent Company uses Value-at-Risk (VaR). VaR is an estimate of the potential decline in the value of a portfolio, under normal market conditions, for a given “confidence level” over a specified holding period. The Parent Company measures and monitors the Trading Book VaR daily and this value is compared against the set VaR limit. Meanwhile, the Group VaR is monitored and reported monthly.

VaR methodology assumptions and parameters

Historical Simulation (HS) is used to compute the VaR. This method assumes that market rates volatility in the future will follow the same movement that occurred within the 260-day historical period. In calculating VaR, a 99.00% confidence level and a one-day holding period are assumed.



This means that, statistically, within a one-day horizon, the trading losses will exceed VaR in 1 out of 100 trading days.

Like any other model, the HS method has its own limitations. To wit, it cannot predict volatility levels which did not happen in the specified historical period. The validity of the VaR model is verified through a daily backtesting analysis, which examines how frequently both actual and hypothetical daily losses exceed VaR. The result of the daily backtesting analysis is reported to the ALCO and ROC monthly.

A summary of the VaR levels of the trading portfolio of the Parent Company appears below:

	Rates and FX	Fixed Income	FX Options
As of December 31, 2025			
December 29	₱91.63	₱277.28	₱1.04
Average	134.29	185.68	3.50
Highest	382.43	289.92	19.21
Lowest	77.28	87.19	0.57
As of December 31, 2024			
December 27	₱265.62	₱370.34	₱6.60
Average	316.26	295.95	12.41
Highest	692.55	482.23	46.20
Lowest	115.46	115.97	2.31

Rates and Foreign Exchange (FX) VaR is the correlated VaR of the following products: FX spot, outright forward, non-deliverable forwards, FX swaps, interest rate swaps, and cross-currency swaps. The Fixed Income VaR is the correlated VaR of these products: peso and foreign currency bonds, bond forwards and credit default swaps (CDS).

Subsidiaries with trading books perform daily mark-to-market valuation and VaR calculations for their exposures. Risk exposures are bounded by a system of risk limits and monitoring tools to effectively manage these risks.

The table below summarizes the VaR levels of PSBank:

	Fixed Income	FX
As of December 31, 2025		
December 29	₱0.000	₱0.585
Average	0.809	1.084
Highest	1.997	1.666
Lowest	0.000	0.397
As of December 31, 2024		
December 27	₱0.937	₱0.059
Average	2.383	0.785
Highest	7.294	1.676
Lowest	0.323	0.059

The limitations of the VaR methodology are recognized by supplementing VaR limits with other position and sensitivity limit structures and by doing stress testing analysis. These processes address potential product concentration risks, monitor portfolio vulnerability and give the management an early advice if an actual loss goes beyond what is deemed to be tolerable to the Group and the Parent Company, even before the VaR limit is hit.



Stress testing is performed by the Parent Company on a quarterly basis and the results are reported to the ALCO and, subsequently, to the ROC and BOD. On a group-wide perspective, stress testing is done, at least, annually. The results are reported by the Parent Company's Risk Management Group to the BOD through ROC.

Market risk - banking book

The Group has in place their own risk management system and processes to quantify and manage market risks in the banking book. To the extent applicable, these are generally aligned with the Parent's framework/tools.

The Group assesses interest rate risk in the banking book using measurement tools such as Interest Rate Repricing Gap, Earnings-at-Risk (EaR) and Sensitivity Analysis.

Interest Rate Repricing Gap is a tool that distributes rate-sensitive assets and liabilities into pre-defined tenor buckets according to time remaining to their maturity (if fixed rate) or repricing (if floating rate). Items lacking definitive repricing schedules (for example, current and savings account) and items with actual maturities that could vary from contractual maturities (for example, securities with embedded options) are assigned to repricing tenor buckets based on an analysis of historical patterns, past experience and/or expert judgment.

EaR measures the possible decline in the Group'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.

EaR methodology assumptions and parameters

The Group calculates EaR using Historical Simulations (HS) approach, with one-year horizon and using five years data. EaR is then derived as the 99th percentile biggest drop in net interest income.

The table below shows the EaR profile of the Parent Company and certain subsidiaries as of December 31, 2025 and 2024:

	Parent Company	PSBank	ORIX Metro	Group
2025	(₱7,513.99)	(₱2,062.02)	(₱111.57)	(₱9,659.65)
2024	(₱2,188.18)	(₱1,625.40)	(₱60.70)	(₱3,601.63)

The Parent Company generates and monitors daily its EaR exposure while the subsidiaries generate their EaR reports at least monthly.

The Parent Company employs the Δ 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. Δ 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 Parent Company. For 2025 and 2024, the Δ EVE of the Parent Company ranges from ₱2.0 billion to (₱1.6 billion) and (₱1.4 billion) to (₱7.7 billion), respectively. As of December 31, 2025 and 2024, the Δ EVE stood at (₱0.2 billion) (0.06% of Common Equity Tier 1 (CET1) Capital) and (₱1.7 billion) (0.62% of CET1 Capital), respectively. The Parent Company has adequate capital to support potential change in value of equity even at worst stress scenario.



Aside from the tools above, the Parent Company and its subsidiaries perform regular sensitivity and stress testing analyses on their banking books to broaden their forward-looking analysis. This way, management can craft strategies to address and/or arrest probable risks, if necessary.

Foreign currency risk

Foreign exchange risk is the probability of loss to earnings or capital arising from changes in foreign exchange rates. Foreign currency liabilities generally consist of foreign currency deposits in the Group's FCDU account. Foreign currency deposits are generally used to fund the Group's foreign currency-denominated loan and investment portfolio in the FCDU. Banks are required by the BSP to match the foreign currency liabilities with the foreign currency assets held in FCDUs. Outside the FCDU, the Group has additional foreign currency assets and liabilities in its foreign branch network. The Group's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines.

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

Currency	Consolidated						Parent Company					
	2025			2024			2025			2024		
	Change in Currency Rate in %	Effect on Profit before Tax	Effect on Equity	Change in Currency Rate in %	Effect on Profit before Tax	Effect on Equity	Change in Currency Rate in %	Effect on Profit before Tax	Effect on Equity	Change in Currency Rate in %	Effect on Profit before Tax	Effect on Equity
USD	+1.00%	(38.10)	(0.71)	+1.00%	(65.38)	(0.72)	+1.00%	(38.84)	(1.98)	+1.00%	(65.51)	(0.54)
EUR	+1.00%	(7.09)	0.00	+1.00%	9.25	0.00	+1.00%	(7.08)	0.00	+1.00%	9.24	0.00
JPY	+1.00%	(1.79)	0.00	+1.00%	11.51	0.00	+1.00%	(1.79)	0.00	+1.00%	11.51	0.00
GBP	+1.00%	(4.80)	0.00	+1.00%	(3.77)	0.00	+1.00%	(4.80)	0.00	+1.00%	(3.77)	0.00
Others	+1.00%	37.37	0.00	+1.00%	30.17	0.00	+1.00%	37.37	0.00	+1.00%	30.17	0.00
USD	-1.00%	38.10	0.71	-1.00%	65.38	0.72	-1.00%	38.84	1.98	-1.00%	65.51	0.54
EUR	-1.00%	7.09	0.00	-1.00%	(9.25)	0.00	-1.00%	7.08	0.00	-1.00%	(9.24)	0.00
JPY	-1.00%	1.79	0.00	-1.00%	(11.51)	0.00	-1.00%	1.79	0.00	-1.00%	(11.51)	0.00
GBP	-1.00%	4.80	0.00	-1.00%	3.77	0.00	-1.00%	4.80	0.00	-1.00%	3.77	0.00
Others	-1.00%	(37.37)	0.00	-1.00%	(30.17)	0.00	-1.00%	(37.37)	0.00	-1.00%	(30.17)	0.00

Information relating to the Parent Company's currency derivatives is included in Note 8. As of December 31, 2025 and 2024, the Parent Company has outstanding foreign currency spot transactions (in equivalent peso amounts) of ₱16.3 billion and ₱22.8 billion, respectively (sold), and ₱31.6 billion and ₱29.8 billion, respectively (bought).

The impact on the Parent Company's equity already excludes the impact on transactions affecting the statements of income.

Capital Management

The primary objectives of the Group's capital management are to ensure that it complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital structure, or issue capital securities. No changes were made in the objectives, policies and processes from the previous year.



BSP Reporting

Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the compliance with regulatory requirements and ratios is based on the amount of the “unimpaired capital” (regulatory net worth) as reported to the BSP, which is determined on the basis of regulatory accounting policies that differ from PFRS Accounting Standards in some respects.

The Group complied with BSP Circular No. 781, *Basel III Implementing Guidelines on Minimum Capital Requirements*, which provides the implementing guidelines on the revised risk-based capital adequacy framework, particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. BSP Circular No. 781 sets out a minimum CET1 ratio of 6.00%, Tier 1 capital ratio of 7.50% and total Capital Adequacy Ratio (CAR) of 10.00%, and requires capital conservation buffer of 2.50% of CET1 capital. These ratios shall be maintained at all times. Further, BSP Circular No. 856 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 (CCB) and countercyclical capital buffer (CCYB).

The details of CAR, as reported to the BSP, as of December 31, 2025 and 2024 follow:

	Consolidated		Parent Company	
	2025	2024	2025	2024
Tier 1 capital	₱421,188	₱385,656	₱410,891	₱374,941
CET1 Capital	421,188	385,656	410,891	374,941
Less: Required deductions	39,924	39,257	108,090	109,469
Net Tier 1 Capital	381,264	346,399	302,801	265,472
Tier 2 capital	16,518	16,096	13,827	13,035
Total Qualifying Capital	₱397,782	₱362,495	₱316,628	₱278,507
Credit Risk-Weighted Assets	₱2,035,002	₱1,875,154	₱1,716,755	₱1,582,671
Market Risk-Weighted Assets	98,767	93,631	87,085	81,064
Operational Risk-Weighted Assets	231,879	204,508	195,795	168,262
Total Risk-Weighted Assets	2,365,648	2,173,293	1,999,635	1,831,997
CET1 Ratio*	16.12%	15.94%	15.14%	14.49%
Tier 1 capital ratio	16.12%	15.94%	15.14%	14.49%
Total capital ratio	16.81%	16.68%	15.83%	15.20%

* of which capital conservation buffer in 2025 and 2024 is 10.12% and 9.94% for the Group and 9.14% and 8.49%, respectively, for the Parent Company.

Qualifying capital and risk-weighted assets (RWA) are computed based on BSP regulations. Under Basel III, the regulatory qualifying capital of the Parent Company consists of CET1 capital, which comprises paid-up common stock, additional paid-in capital, retained earnings, including current year profit, retained earnings reserves, OCI and non-controlling interest less required regulatory deductions. The other component of regulatory capital is Tier 2 (supplementary) capital, which includes unsecured subordinated debts and general loan loss provision. RWA consist of total assets excluding 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 (MB) of the BSP. Operational RWA are computed using the Basic Indicator Approach.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the year.



The Internal Capital Adequacy Assessment Process (ICAAP) supplements the BSP's risk-based capital adequacy framework. In compliance with this, the 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 edicts.

Basel III Leverage Ratio (BLR)

BSP Circular Nos. 881 and 990 (which were issued by BSP on June 9, 2015 and January 22, 2018, respectively) cover the implementing guidelines on the BLR framework designed to act as a supplementary measure to the risk-based capital requirements and shall not be less than 5.00%.

The details of the BLR, as reported to the BSP, as of December 31, 2025 and 2024 follow:

	Consolidated		Parent Company	
	2025	2024	2025	2024
Net Tier 1 Capital	₱381,264	₱346,399	₱302,801	₱265,472
Exposure Measure	₱4,080,640	₱3,663,834	₱3,627,130	₱3,262,566
BLR	9.34%	9.45%	8.35%	8.14%

Under the framework, BLR is defined as the capital measure divided by the exposure measure. Capital measure is Tier 1 capital. Exposure measure is the sum of on-balance sheet exposures, derivative exposures, security financing exposures and off-balance sheet items.

Liquidity Coverage Ratio (LCR)

BSP Circular No. 905 (which was issued by BSP on March 10, 2016) provides the implementing guidelines on LCR and disclosure standards that are consistent with the Basel III framework. The LCR is the ratio of high-quality liquid assets to total net cash outflows which should not be lower than 100.00%. As of December 31, 2025 and 2024, the LCR in single currency as reported to the BSP, was at 181.68% and 256.08%, respectively, for the Group, and 184.05% and 263.24%, respectively, for the Parent Company.

Net Stable Funding Ratio (NSFR)

On June 6, 2018, the BSP issued BSP Circular No.1007 covering the implementing guidelines on the adoption of the Basel III Framework on Liquidity Standards – NSFR. The NSFR is aimed to promote long-term resilience against liquidity risk by requiring banks to maintain a stable funding profile in relation to the composition of its assets and off-balance sheet activities. It complements the LCR, which promotes short term resilience of a bank's liquidity profile. Banks shall maintain an NSFR of at least 100 percent (100.00%) at all times. As of December 31, 2025 and 2024, the NSFR as reported to the BSP, was at 144.92% and 160.73%, respectively, for the Group, and 147.94% and 164.22%, respectively, for the Parent Company.



5. Fair Value Measurement

Financial Instruments

The methods and assumptions used by the Group and the Parent Company in estimating the fair values of financial assets and financial liabilities are:

Cash and other cash items, due from BSP and other banks and interbank loans receivable and SPURA

The carrying amounts of instruments with long-term maturities are not material to the financial statements, thus, fair values of these instruments were based on their carrying amounts.

Trading and investment securities

Fair values of debt and equity securities are generally based on quoted market prices. Where the debt securities are not quoted or the market prices are not readily available, the Group and the Parent Company obtained valuations from independent parties offering pricing services, used adjusted quoted market prices of comparable investments, or applied discounted cash flow methodologies. For equity securities that are not quoted, remeasurement to their fair values is not material to the financial statements.

Derivative instruments

Fair values are estimated based on quoted market prices, prices provided by independent parties, or prices derived using acceptable valuation models. The models utilize published underlying rates (for example, interest rates, FX rates, CDS rates, FX volatilities and spot and forward FX rates) and are implemented through validated calculation engines.

Loans and receivables

Fair values of the Group's loans and receivables are estimated using the discounted cash flow methodology, using current incremental lending rates for similar types of loans. Where the instrument reprices on a quarterly basis or has a relatively short maturity, the carrying amounts approximate fair values.

Liabilities

Fair values are estimated using the discounted cash flow methodology using the Group's current borrowing rate for similar borrowings with maturities consistent with those remaining for the liability being valued, if any. The carrying amounts of demand and savings deposit liabilities and other short-term liabilities approximate fair values considering that these are either due and demandable or with short-term maturities.

Non-Financial Assets

Investment properties

Fair value of investment properties is determined based on valuations performed by independent and in-house appraisers using a 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 restrictions, building coverage and floor area ratio restrictions, among others. The fair value of investment properties is based on its highest and best use, which is their current use.



The following tables summarize the carrying amounts and fair values of assets and liabilities, analyzed among those whose fair value is based on:

- Quoted market prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Consolidated				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
2025					
Assets Measured at Fair Value					
Financial Assets					
Investment securities at FVTPL					
FVTPL investments					
Debt securities					
Treasury notes and bonds	₱46,288	₱46,288	₱—	₱—	₱46,288
Government	23,091	23,091	—	—	23,091
Private	13,012	13,012	—	—	13,012
BSP	9,361	9,361	—	—	9,361
Treasury bills	3,121	3,121	—	—	3,121
	94,873	94,873	—	—	94,873
Equity securities	135	135	—	—	135
Derivative assets					
Cross-currency swaps	14,322	—	14,322	—	14,322
Currency forwards	3,469	—	3,469	—	3,469
Interest rate swaps	1,025	—	1,025	—	1,025
Call option	11	—	11	—	11
Put option	6	—	6	—	6
	18,833	—	18,833	—	18,833
	113,841	95,008	18,833	—	113,841
Investment securities at FVOCI					
Debt securities					
Treasury notes and bonds	459,778	427,279	32,499	—	459,778
Treasury bills	300,324	300,324	—	—	300,324
Government	113,425	113,425	—	—	113,425
BSP	43,382	43,382	—	—	43,382
Private	35,397	35,302	95	—	35,397
	952,306	919,712	32,594	—	952,306
Equity securities	2,154	1,856	113	185	2,154
	954,460	921,568	32,707	185	954,460
	₱1,068,301	₱1,016,576	₱51,540	₱185	₱1,068,301
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost					
Treasury notes and bonds	₱418,489	₱414,813	₱9,344	₱—	₱424,157
Government	54,593	52,506	1,448	—	53,954
Private	192	201	—	—	201
	473,274	467,520	10,792	—	478,312
Loans and receivables - net					
Receivables from customers					
Commercial loans	1,450,347	—	—	1,475,050	1,475,050
Credit card	171,976	—	—	171,976	171,976
Auto loans	120,506	—	—	133,323	133,323
Residential mortgage loans	104,194	—	—	130,298	130,298
Trade loans	57,624	—	—	58,735	58,735
Others	17,384	—	—	17,596	17,596
	1,922,031	—	—	1,986,978	1,986,978
Sales contract receivable	12	—	—	12	12
	1,922,043	—	—	1,986,990	1,986,990
Other assets	1,554	1,073	141	432	1,646
	2,396,871	468,593	10,933	1,987,422	2,466,948

(Forward)



	Consolidated				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Non-Financial Assets					
Investment properties	₱8,115	₱–	₱–	₱17,412	₱17,412
Residual value of leased assets	365	–	–	309	309
	8,480	–	–	17,721	17,721
	₱2,405,351	₱468,593	₱10,933	₱2,005,143	₱2,484,669
Liabilities Measured at Fair Value					
Financial Liabilities					
Financial liabilities at FVTPL					
Derivative liabilities					
Cross-currency swaps	₱6,685	₱–	₱6,685	₱–	₱6,685
Currency forwards	5,504	–	5,504	–	5,504
Interest rate swaps	1,245	–	1,245	–	1,245
Credit default swaps	55	–	55	–	55
Call option	11	–	11	–	11
Put option	2	–	2	–	2
	₱13,502	₱–	₱13,502	₱–	₱13,502
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities					
Time	₱1,085,848	₱–	₱–	₱1,088,151	₱1,088,151
Bills payable and SSURA	530,734	–	–	530,599	530,599
Bonds payable	114,013	108,729	–	7,483	116,212
Other Liabilities					
Deposits on lease contracts	656	–	–	612	612
	₱1,731,251	₱108,729	₱–	₱1,626,845	₱1,735,574
2024					
Assets Measured at Fair Value					
Financial Assets					
Investment securities at FVTPL					
FVTPL investments					
Debt securities					
Government	₱101,012	₱101,012	₱–	₱–	₱101,012
BSP	73,496	73,496	–	–	73,496
Treasury notes and bonds	19,886	19,886	–	–	19,886
Treasury bills	6,371	6,371	–	–	6,371
Private	5,265	5,265	–	–	5,265
	206,030	206,030	–	–	206,030
Equity securities	153	153	–	–	153
Derivative assets					
Cross-currency swaps	10,497	–	10,497	–	10,497
Currency forwards	6,950	–	6,950	–	6,950
Interest rate swaps	2,638	–	2,638	–	2,638
Put option	4	–	4	–	4
Call option	30	–	30	–	30
	20,119	–	20,119	–	20,119
	226,302	206,183	20,119	–	226,302
Investment securities at FVOCI					
Debt securities					
Treasury notes and bonds	372,967	356,111	16,856	–	372,967
Government	101,896	101,896	–	–	101,896
BSP	65,412	65,412	–	–	65,412
Private	29,946	29,849	97	–	29,946
Treasury bills	719	719	–	–	719
	570,940	553,987	16,953	–	570,940
Equity securities	2,061	1,773	138	150	2,061
	573,001	555,760	17,091	150	573,001
	₱799,303	₱761,943	₱37,210	₱150	₱799,303
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost					
Treasury notes and bonds	₱418,170	₱410,821	₱8,375	₱–	₱419,196
Government	55,606	51,412	1,385	–	52,797
Private	1,248	1,253	–	–	1,253
	475,024	463,486	9,760	–	473,246

(Forward)



	Consolidated				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
Loans and receivables - net					
Receivables from customers					
Commercial loans	P1,332,959	P-	P-	P1,343,247	P1,343,247
Credit card	147,795	-	-	147,795	147,795
Auto loans	110,983	-	-	123,463	123,463
Residential mortgage loans	96,711	-	-	121,266	121,266
Trade loans	67,625	-	-	68,311	68,311
Others	16,556	-	-	17,032	17,032
	1,772,629	-	-	1,821,114	1,821,114
Unquoted debt securities	17	-	-	17	17
Sales contract receivable	20	-	-	20	20
	1,772,666	-	-	1,821,151	1,821,151
Other assets	1,348	983	154	282	1,419
	2,249,038	464,469	9,914	1,821,433	2,295,816
Non-Financial Assets					
Investment properties	7,805	-	-	16,630	16,630
Residual value of leased assets	391	-	-	359	359
	8,196	-	-	16,989	16,989
	P2,257,234	P464,469	P9,914	P1,838,422	P2,312,805
Liabilities Measured at Fair Value					
Financial Liabilities					
Financial liabilities at FVTPL					
Derivative liabilities					
Currency forwards	P7,445	P-	P7,445	P-	P7,445
Cross-currency swaps	4,912	-	4,912	-	4,912
Interest rate swaps	940	-	940	-	940
Credit default swaps	48	-	48	-	48
Put option	3	-	3	-	3
Call option	22	-	22	-	22
	P13,370	P-	P13,370	P-	P13,370
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities					
Time	P1,085,939	P-	P-	P1,088,599	P1,088,599
Bills payable and SSURA	300,652	-	-	300,745	300,745
Bonds payable	107,236	104,161	-	2,377	106,538
Other Liabilities					
Deposits on lease contracts	665	-	-	635	635
	P1,494,492	P104,161	P-	P1,392,356	P1,496,517
	Parent Company				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
2025					
Assets Measured at Fair Value					
Financial Assets					
Investment securities at FVTPL					
FVTPL investments					
Debt securities					
Treasury notes and bonds	P46,288	P46,288	P-	P-	P46,288
Government	23,091	23,091	-	-	23,091
Private	13,012	13,012	-	-	13,012
BSP	9,361	9,361	-	-	9,361
Treasury bills	3,121	3,121	-	-	3,121
	94,873	94,873	-	-	94,873
Equity securities	97	97	-	-	97
Derivative assets					
Cross-currency swaps	14,321	-	14,321	-	14,321
Currency forwards	3,469	-	3,469	-	3,469
Interest rate swaps	1,025	-	1,025	-	1,025
Call option	11	-	11	-	11
Put option	1	-	1	-	1
	18,827	-	18,827	-	18,827
	113,797	94,970	18,827	-	113,797

(Forward)



	Parent Company				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
Investment securities at FVOCI					
Debt securities:					
Treasury notes and bonds	P421,982	P421,333	P649	P—	P421,982
Treasury bills	299,594	299,594	—	—	299,594
Government	104,899	104,899	—	—	104,899
BSP	43,382	43,382	—	—	43,382
Private	5,483	5,483	—	—	5,483
	875,340	874,691	649	—	875,340
Equity securities	1,015	942	73	—	1,015
	876,355	875,633	722	—	876,355
	P990,152	P970,603	P19,549	P—	P990,152
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost					
Treasury notes and bonds	P400,500	P406,056	P—	P—	P406,056
Government	43,990	43,893	—	—	43,893
	444,490	449,949	—	—	449,949
Loans and receivables - net					
Receivables from customers					
Commercial loans	1,359,656	—	—	1,382,370	1,382,370
Credit card	171,976	—	—	171,976	171,976
Residential mortgage loans	57,787	—	—	58,917	58,917
Trade loans	46,975	—	—	48,085	48,085
Auto loans	25,613	—	—	26,206	26,206
Others	15,828	—	—	15,870	15,870
	1,677,835	—	—	1,703,424	1,703,424
Unquoted debt securities	—	—	—	—	—
Sales contract receivable	8	—	—	8	8
	1,677,843	—	—	1,703,432	1,703,432
Other Assets	1,073	1,073	—	—	1,073
	2,123,406	451,022	—	1,703,432	2,154,454
Non-Financial Assets					
Investment properties	3,973	—	—	9,725	9,725
	P2,127,379	P451,022	P—	P1,713,157	P2,164,179
Liabilities Measured at Fair Value					
Financial Liabilities					
Financial liabilities at FVTPL					
Derivative liabilities					
Cross-currency swaps	P6,685	P—	P6,685	P—	P6,685
Currency forwards	5,504	—	5,504	—	5,504
Interest rate swaps	1,245	—	1,245	—	1,245
Credit default swaps	55	—	55	—	55
Call option	11	—	11	—	11
	P13,500	P—	P13,500	P—	P13,500
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities					
Time	P904,002	P—	P—	P904,002	P904,002
Bills payable and SSURA	505,732	—	—	505,531	505,531
Bonds payable	106,530	108,729	—	—	108,729
	P1,516,264	P108,729	P—	P1,409,533	P1,518,262
2024					
Assets Measured at Fair Value					
Financial Assets					
Investment securities at FVTPL					
FVTPL investments					
Debt securities					
Government	P101,012	P101,012	P—	P—	P101,012
BSP	73,496	73,496	—	—	73,496
Treasury notes and bonds	19,585	19,585	—	—	19,585
Private	5,265	5,265	—	—	5,265
Treasury bills	6,371	6,371	—	—	6,371
	205,729	205,729	—	—	205,729
Equity securities	76	76	—	—	76

(Forward)



	Parent Company				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
Derivative assets					
Cross-currency swaps	₱10,496	₱–	₱10,496	₱–	₱10,496
Currency forwards	6,950	–	6,950	–	6,950
Interest rate swaps	2,638	–	2,638	–	2,638
Call option	30	–	30	–	30
Put option	4	–	4	–	4
	20,118	–	20,118	–	20,118
	225,923	205,805	20,118	–	225,923
Investment securities at FVOCI					
Debt securities					
Treasury notes and bonds	350,919	350,287	632	–	350,919
Government	99,832	99,832	–	–	99,832
BSP	56,943	56,943	–	–	56,943
Private	3,374	3,374	–	–	3,374
	511,068	510,436	632	–	511,068
Equity securities	1,047	957	90	–	1,047
	512,115	511,393	722	–	512,115
	₱738,038	₱717,198	₱20,840	₱–	₱738,038
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost					
Treasury notes and bonds	₱400,462	₱401,664	₱–	₱–	₱401,664
Government	44,293	42,568	–	–	42,568
	444,755	444,232	–	–	444,232
Loans and receivables - net					
Receivables from customers					
Commercial loans	1,248,749	–	–	1,256,174	1,256,174
Credit card	147,795	–	–	147,795	147,795
Trade loans	62,072	–	–	62,758	62,758
Residential mortgage loans	53,364	–	–	54,650	54,650
Auto loans	23,016	–	–	23,650	23,650
Others	15,136	–	–	15,176	15,176
	1,550,132	–	–	1,560,203	1,560,203
Unquoted debt securities	17	–	–	17	17
Sales contract receivable	16	–	–	16	16
	1,550,165	–	–	1,560,236	1,560,236
Other Assets	983	983	–	–	983
	1,995,903	445,215	–	1,560,236	2,005,451
Non-Financial Assets					
Investment properties	3,565	–	–	8,927	8,927
	₱1,999,468	₱445,215	₱–	₱1,569,163	₱2,014,378
Liabilities Measured at Fair Value					
Financial Liabilities					
Financial liabilities at FVTPL					
Derivative liabilities					
Currency forwards	₱7,445	₱–	₱7,445	₱–	₱7,445
Cross-currency swaps	4,912	–	4,912	–	4,912
Interest rate swaps	940	–	940	–	940
Credit default swaps	48	–	48	–	48
Call option	22	–	22	–	22
Put option	2	–	2	–	2
	₱13,369	₱–	₱13,369	₱–	₱13,369
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities					
Time	₱930,174	₱–	₱–	₱930,174	₱930,174
Bills payable and SSURA	286,541	–	–	286,541	286,541
Bonds payable	104,858	104,161	–	–	104,161
	₱1,321,573	₱104,161	₱–	₱1,216,715	₱1,320,876

The following table shows transfers from Level 2 to Level 1 of the fair value hierarchy as of December 31, 2025:

	Consolidated		Parent	
	Level 1	Level 2	Level 1	Level 2
Investment securities at FVTPL – equity securities	9	(9)	9	(9)
Investment securities at FVOCI – equity securities	13	(13)	–	–

As of December 31, 2025, the price of these securities is quoted in an active market. There were no transfers between levels of the fair value hierarchy in 2024.



When fair values of listed equity and debt securities, as well as publicly traded derivatives at the statement of financial position 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.

6. Segment Information

The Group's operating businesses are recognized and managed separately according to the nature of services provided and the different markets served with segment representing a strategic business unit. Operating segments are reported in accordance with internal reporting to the Senior Management who is responsible for allocating resources to the segments and assessing its performance. The financial reporting basis used in the internal reporting is PFRS Accounting Standards.

The Group's business segments follow:

- Consumer Banking - principally providing consumer type loans and support for effective sourcing and generation of consumer business;
- Corporate Banking - principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers;
- Investment Banking - principally arranging structured financing, and providing services relating to privatizations, initial public offerings, mergers and acquisitions; and providing advisory services primarily aimed to create wealth to individuals and institutions;
- Treasury - principally providing money market, trading and treasury services, as well as the management of the Group's funding operations by use of treasury bills, government securities and placements and acceptances with other banks, through treasury and corporate banking;
- Branch Banking - principally handling branch deposits and providing loans and other loan related businesses for domestic middle market clients; and
- Others - principally handling other services including but not limited to remittances, leasing, account financing, and other support services. Other operations of the Group comprise the operations and financial control groups.

Segment assets are those operating assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment liabilities are those operating liabilities that result from the operating activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Interest income is reported net, as management primarily relies on the net interest income as performance measure, not the gross income and expense. The Group has no significant customers which contributes 10.00% or more of the consolidated revenue net of interest expense. Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is charged/credited to business segments based on a pool rate which approximates the cost of funds.



The following table presents revenue and income information of operating segments presented in accordance with PFRS Accounting Standards and segment assets and liabilities:

	Consumer Banking	Corporate Banking	Investment Banking	Treasury	Branch Banking	Others	Total
2025							
Results of Operations							
Net interest income (expense)							
Third party	₹31,868	₹75,457	₹—	₹18,115	(₹2,535)	₹1,723	₹124,628
Intersegment	(8,502)	(63,907)	—	12	72,397	—	—
Net interest income after intersegment transactions	23,366	11,550	—	18,127	69,862	1,723	124,628
Non-interest income	10,396	1,118	456	7,509	5,779	7,278	32,536
Revenue - net of interest expense	33,762	12,668	456	25,636	75,641	9,001	157,164
Non-interest expense	26,767	6,102	54	7,625	25,210	25,868	91,626
Income (loss) before share in net income of subsidiaries, associates and a JV	6,995	6,566	402	18,011	50,431	(16,867)	65,538
Share in net income of subsidiaries, associates and a JV	—	50	—	—	—	865	915
Provision for income tax	(21)	(790)	—	(9,478)	(149)	(5,391)	(15,829)
Non-controlling interest in net income of consolidated subsidiaries	—	—	—	—	—	(904)	(904)
Net income (loss)	₹6,974	₹5,826	₹402	₹8,533	₹50,282	(₹22,297)	₹49,720
Statement of Financial Position							
Total assets	₹313,111	₹1,505,018	₹—	₹1,648,924	₹218,104	₹195,160	₹3,880,317
Total liabilities	₹178,212	₹1,158,016	₹—	₹1,597,682	₹319,237	₹195,003	₹3,448,150
Other Segment Information							
Capital expenditures	₹263	₹96	₹—	₹478	₹91	₹10,142	₹11,070
Depreciation and amortization	₹699	₹286	₹—	₹103	₹2,764	₹3,384	₹7,236
Provision for credit and impairment losses	₹13,514	(₹836)	₹—	(₹5)	₹85	(₹839)	₹11,919
2024							
Results of Operations							
Net interest income (expense)							
Third party	₹27,006	₹71,390	₹—	₹18,853	(₹4,926)	₹1,792	₹114,115
Intersegment	(6,900)	(56,895)	—	(655)	64,450	—	—
Net interest income after intersegment transactions	20,106	14,495	—	18,198	59,524	1,792	114,115
Non-interest income	10,426	1,080	102	4,269	6,305	7,037	29,219
Revenue - net of interest expense	30,532	15,575	102	22,467	65,829	8,829	143,334
Non-interest expense	21,559	3,215	6	7,882	24,312	26,547	83,521
Income (loss) before share in net income of subsidiaries, associates and a JV	8,973	12,360	96	14,585	41,517	(17,718)	59,813
Share in net income of subsidiaries, associates and a JV	—	68	—	—	—	697	765
Provision for income tax	(9)	(932)	—	(9,988)	(103)	(313)	(11,345)
Non-controlling interest in net income of consolidated subsidiaries	—	—	—	—	—	(1,096)	(1,096)
Net income (loss)	₹8,964	₹11,496	₹96	₹4,597	₹41,414	(₹18,430)	₹48,137
Statement of Financial Position							
Total assets	₹276,703	₹1,393,539	₹—	₹1,414,826	₹200,691	₹234,596	₹3,520,355
Total liabilities	₹154,153	₹1,047,994	₹—	₹1,377,635	₹290,227	₹253,941	₹3,123,950
Other Segment Information							
Capital expenditures	₹447	₹82	₹—	₹1,225	₹196	₹4,339	₹6,289
Depreciation and amortization	₹562	₹304	₹—	₹91	₹2,395	₹3,434	₹6,786
Provision for credit and impairment losses	₹9,495	(₹3,010)	₹—	(₹2)	₹153	(₹276)	₹6,360
2023							
Results of Operations							
Net interest income (expense)							
Third party	₹22,753	₹60,783	₹—	₹22,303	(₹3,092)	₹2,223	₹104,970
Intersegment	(5,230)	(49,330)	—	(4,485)	59,045	—	—
Net interest income after intersegment transactions	17,523	11,453	—	17,818	55,953	2,223	104,970
Non-interest income	9,707	1,250	198	2,336	6,385	8,628	28,504
Revenue - net of interest expense	27,230	12,703	198	20,154	62,338	10,851	133,474
Non-interest expense	15,974	6,258	50	5,403	23,841	26,974	78,500
Income (loss) before share in net income of subsidiaries, associates and a JV	11,256	6,445	148	14,751	38,497	(16,123)	54,974

(Forward)



	Consumer Banking	Corporate Banking	Investment Banking	Treasury	Branch Banking	Others	Total
Share in net income of subsidiaries, associates and a JV	P—	P86	P—	P—	P—	P789	P875
Provision for income tax	257	(726)	—	(8,769)	258	(3,910)	(12,890)
Non-controlling interest in net income of consolidated subsidiaries	—	—	—	—	—	(721)	(721)
Net income (loss)	P11,513	P5,805	P148	P5,982	P38,755	(P19,965)	P42,238
Statement of Financial Position							
Total assets	P234,876	P1,178,680	P—	P1,256,486	P181,312	P253,548	P3,104,902
Total liabilities	P125,072	P1,118,249	P—	P1,200,606	P273,011	P21,226	P2,738,164
Other Segment Information							
Capital expenditures	P451	P47	P—	P179	P72	P3,956	P4,705
Depreciation and amortization	P413	P335	P—	P90	P2,308	P3,776	P6,922
Provision for credit and impairment losses	P6,415	P1,323	P—	(P5)	P175	P1,070	P8,978

Non-interest income consists of service charges, fees and commissions, profit from assets sold, trading and securities gain (loss) - net, foreign exchange gain (loss) - net, income from trust operations, leasing, dividends and miscellaneous income. Non-interest expense consists of compensation and fringe benefits, taxes and licenses, provision for credit and impairment losses, depreciation and amortization, occupancy and equipment-related costs, amortization of software costs, and miscellaneous expenses.

Geographical Information

The Group operates in four geographic markets: Philippines, Asia other than Philippines, USA and Europe (Note 2).

The following tables show the distribution of Group's external net operating income and non-current assets allocated based on the location of the customers and assets, respectively, for the years ended December 31:

	Philippines	Asia (Other than Philippines)	USA	Europe	Total
2025					
Interest income	P179,197	P6,750	P92	P—	P186,039
Interest expense	(58,543)	(2,855)	(13)	—	(61,411)
Net interest income	120,654	3,895	79	—	124,628
Non-interest income	30,732	1,277	477	50	32,536
Provision for credit and impairment losses	(11,490)	(429)	—	—	(11,919)
Total external net operating income	P139,896	P4,743	P556	P50	P145,245
Non-current assets	P39,082	P443	P19	P3	P39,547
2024					
Interest income	P171,503	P6,055	P106	P—	P177,664
Interest expense	(60,705)	(2,832)	(12)	—	(63,549)
Net interest income	110,798	3,223	94	—	114,115
Non-interest income	27,112	1,601	465	41	29,219
Provision for credit and impairment losses	(6,107)	(253)	—	—	(6,360)
Total external net operating income	P131,803	P4,571	P559	P41	P136,974
Non-current assets	P35,420	P409	P19	P3	P35,851
2023					
Interest income	P147,670	P5,766	P176	P—	P153,612
Interest expense	(46,416)	(2,213)	(13)	—	(48,642)
Net interest income	101,254	3,553	163	—	104,970
Non-interest income	26,445	1,531	487	41	28,504
Provision for credit and impairment losses	(8,697)	(281)	—	—	(8,978)
Total external net operating income	P119,002	P4,803	P650	P41	P124,496
Non-current assets	P34,114	P428	P17	P3	P34,562

Non-current assets consist of property and equipment excluding ROU assets, investment properties, chattel properties acquired in foreclosure, software costs and assets held under joint operations.



7. Interbank Loans Receivable and Securities Purchased Under Resale Agreements

This account consists of:

	Consolidated		Parent Company	
	2025	2024	2025	2024
Interbank loans receivable - net (Note 32)	₱71,749	₱79,821	₱35,898	₱53,906
SPURA	841	1,466	—	—
	₱72,590	₱81,287	₱35,898	₱53,906

As of December 31, 2025 and 2024, the allowance for credit losses for interbank loans receivable amounted to ₱75.9 million and ₱61.7 million, respectively, for the Group and ₱54.7 million and ₱54.6 million, respectively, for the Parent Company (Note 15).

In 2025, 2024 and 2023, the interest rates of the interbank loans receivables ranged from 0.00% to 4.60%, 0.00% to 5.94%, and 0.00% to 6.25%, respectively, for the Group, and 0.00% to 4.17%, 0.00% to 5.94%, and 0.00% to 6.25%, respectively, for the Parent Company.

8. Trading and Investment Securities

This account consists of:

	Consolidated		Parent Company	
	2025	2024	2025	2024
Investment securities at:				
FVTPL	₱113,841	₱226,302	₱113,797	₱225,923
FVOCI (Notes 17 and 29)	954,460	573,001	876,355	512,115
Amortized cost (Notes 17 and 29)	473,274	475,024	444,490	444,755
	₱1,541,575	₱1,274,327	₱1,434,642	₱1,182,793

Investment securities at FVTPL consist of the following:

	Consolidated		Parent Company	
	2025	2024	2025	2024
HFT investments				
Debt securities				
Treasury notes and bonds	₱46,288	₱19,886	₱46,288	₱19,585
Government	23,091	101,012	23,091	101,012
Private	13,012	5,265	13,012	5,265
BSP	9,361	73,496	9,361	73,496
Treasury bills	3,121	6,371	3,121	6,371
	94,873	206,030	94,873	205,729
Equity securities	135	153	97	76
	95,008	206,183	94,970	205,805
Derivative assets	18,833	20,119	18,827	20,118
	₱113,841	₱226,302	₱113,797	₱225,923



The following are the fair values of the Parent Company's derivative financial instruments recorded as 'Derivative assets/liabilities', together with the notional amounts. The notional amount is the amount or quantity of a derivative's underlying asset, and is the basis upon which changes in the value are measured. The notional amounts indicate the volume of transactions outstanding as of December 31, 2025 and 2024 and are not indicative of either market risk or credit risk.

	Derivative Assets	Derivative Liabilities	Notional Amount
December 31, 2025			
Freestanding derivatives:			
Currency forwards			
Bought	₱2,949	₱1,035	₱338,976
Sold	520	4,469	423,549
Interest rate swaps	1,025	1,245	224,036
Cross-currency swaps	14,321	6,685	428,217
OTC FX Options	12	11	1,286
Credit default swaps	—	55	3,527
	₱18,827	₱13,500	₱1,419,591
December 31, 2024			
Freestanding derivatives:			
Currency forwards			
Bought	₱2,068	₱4,509	₱385,994
Sold	4,882	2,936	371,734
Interest rate swaps	2,638	940	325,492
Cross-currency swaps	10,496	4,912	371,554
OTC FX Options	34	24	13,935
Credit default swaps	—	48	3,181
	₱20,118	₱13,369	₱1,471,890

As of December 31, 2025 and 2024, the Group's derivative assets include FX options and cross-currency swaps entered into by the subsidiaries amounting to ₱6.0 million and ₱1.3 million, respectively. As of December 31, 2025 and 2024, the Group's derivative liabilities include interest rate swaps and FX options entered into by the subsidiaries amounting to ₱1.7 million and ₱1.5 million, respectively.

Investment securities at FVOCI as of December 31, 2025 and 2024 consist of the following:

	Consolidated		Parent Company	
	2025	2024	2025	2024
Debt securities				
Treasury notes and bonds				
(Note 17)	₱459,778	₱372,967	₱421,982	₱350,919
Treasury bills	300,324	719	299,594	—
Government (Note 17)	113,425	101,896	104,899	99,832
BSP	43,382	65,412	43,382	56,943
Private	35,397	29,946	5,483	3,374
	952,306	570,940	875,340	511,068
Equity securities	2,154	2,061	1,015	1,047
	₱954,460	₱573,001	₱876,355	₱512,115

The equity securities are irrevocably designated at FVOCI as these are held for long term-strategic purpose rather than for trading. These equity securities include golf club shares and non-marketable equity securities. In 2025 and 2024, as part of its risk management, the Group disposed equity securities at FVOCI with total carrying value of ₱16.8 million and ₱156.5 million, respectively, and recognized gain (loss) on disposal charged against 'Surplus' of ₱71.0 million and (₱96.7 million), respectively. No dividends were recognized for the disposed equity securities in 2025 and 2024.



Outstanding equity securities at FVOCI as of December 31, 2025 and 2024 generated dividends amounting to ₱48.4 million and ₱48.1 million, respectively for the Group, and ₱5.9 million and ₱12.9 million, respectively, for the Parent Company.

As of December 31, 2025 and 2024, the ECL on debt securities at FVOCI (included in 'Net unrealized gain (loss) on investment securities at FVOCI') amounted to ₱876.1 million and ₱869.3 million, respectively, for the Group and ₱861.8 million and ₱863.1 million, respectively, for the Parent Company (Note 15).

As of December 31, 2025 and 2024, investment securities at FVOCI include floating and fixed rate private notes with total carrying value of USD11.0 million and USD10.9 million, respectively (with peso equivalent of ₱647.6 million and ₱631.9 million, respectively) which are pledged by the Parent Company's New York Branch in compliance with the regulatory requirements of the Federal Deposit Insurance Corporation and the Office of the Controller of the Currency in New York.

Movements in net unrealized gains (losses), including share in net unrealized gains (losses) of subsidiaries (Note 11), presented under 'Equity' in the statements of financial position are as follows:

	Consolidated		Parent Company	
	2025	2024	2025	2024
Balance at January 1	(₱8,231)	(₱10,106)	(₱8,185)	(₱10,065)
Unrealized gain recognized in OCI	9,557	3,949	9,072	3,774
Amounts realized in surplus	(71)	96	(71)	96
Amounts realized in profit or loss	(2,410)	(1,511)	(1,908)	(1,331)
	(1,155)	(7,572)	(1,092)	(7,526)
Tax (Note 28)	(395)	(659)	(391)	(659)
Balance at December 31	(₱1,550)*	(₱8,231)*	(₱1,483)	(₱8,185)

*Includes share of non-controlling interest in unrealized losses amounting to ₱67.7 million and ₱46.4 million, respectively, as of December 31, 2025 and 2024.

Investment securities at amortized cost as of December 31, 2025 and 2024 consist of the following:

	Consolidated		Parent Company	
	2025	2024	2025	2024
Treasury notes and bonds (Note 17)	₱418,489	₱418,170	₱400,500	₱400,462
Government (Note 17)	54,915	55,926	44,305	44,603
Private	192	1,249	—	—
	473,596	475,345	444,805	445,065
Less: allowance for credit losses (Note 15)	322	321	315	310
	₱473,274	₱475,024	₱444,490	₱444,755

Interest income on investment securities at FVOCI and at amortized cost consists of:

	Consolidated			Parent Company		
	2025	2024	2023	2025	2024	2023
Investment securities at FVOCI	₱25,121	₱23,035	₱18,015	₱22,503	₱19,717	₱13,536
Investment securities at amortized cost	26,977	26,979	25,599	25,627	25,597	24,118
	₱52,098	₱50,014	₱43,614	₱48,130	₱45,314	₱37,654

In 2025, 2024 and 2023, foreign currency-denominated trading and investment securities bear nominal annual interest rates ranging from 0.70% to 9.50% for the Group and the Parent Company while peso-denominated trading and investment securities bear nominal annual interest rates ranging from 2.88% to 11.25%, 2.63% to 18.25%, and 2.38% to 18.25%, respectively, for the Group and the Parent Company.



Trading and securities gain/(loss) - net consists of:

	Consolidated			Parent Company		
	2025	2024	2023	2025	2024	2023
Investment securities at FVTPL	₱4,610	₱2,462	₱1,799	₱4,440	₱1,903	₱1,708
Derivative assets/liabilities – net	(2,361)	5,334	(1,922)	(2,370)	5,348	(1,923)
Debt securities at FVOCI	2,410	1,511	153	1,908	1,331	87
	4,659	9,307	30	3,978	8,582	(128)
Loss attributable to non-equity non controlling interests (Note 21)	–	(403)	(124)	–	–	–
	₱4,659	₱8,904	(₱94)	₱3,978	₱8,582	(₱128)

Trading gains on debt securities at FVOCI represent realized gains previously reported in OCI.

9. Loans and Receivables

This account consists of:

	Consolidated		Parent Company	
	2025	2024	2025	2024
Receivables from customers (Note 32)				
Commercial loans (Note 13)	₱1,478,151	₱1,362,436	₱1,381,367	₱1,272,178
Credit card	209,335	173,084	209,335	173,084
Auto loans	123,785	113,884	25,925	23,424
Residential mortgage loans	105,039	97,931	58,323	54,087
Trade loans	58,735	68,311	48,086	62,758
Others (Note 13)	18,229	17,195	16,367	15,454
	1,993,274	1,832,841	1,739,403	1,600,985
Less unearned discounts and capitalized interest	23,198	17,738	20,503	15,597
	1,970,076	1,815,103	1,718,900	1,585,388
Unquoted debt securities				
Private	385	385	385	385
Government	–	18	–	18
	385	403	385	403
Accrued interest receivable (Note 32)	27,084	24,805	23,651	21,703
Accounts receivable (Note 32)	30,742	22,118	14,371	8,735
Sales contract receivable	14	23	10	18
Other receivables	14	12	2	2
	2,028,315	1,862,464	1,757,319	1,616,249
Less allowance for credit losses (Note 15)	51,877	46,454	44,282	38,630
	₱1,976,438	₱1,816,010	₱1,713,037	₱1,577,619

Receivables from customers consist of:

	Consolidated		Parent Company	
	2025	2024	2025	2024
Loans and discounts	₱1,927,340	₱1,754,641	₱1,683,772	₱1,527,835
Less unearned discounts and capitalized interest	23,198	17,738	20,503	15,597
	1,904,142	1,736,903	1,663,269	1,512,238
Customers' liabilities under letters of credit (LC)/trust receipts	52,060	64,682	41,411	59,129
Bills purchased (Note 21)	13,874	13,518	14,220	14,021
	₱1,970,076	₱1,815,103	₱1,718,900	₱1,585,388



As of December 31, 2025 and 2024, receivables from customers of the Group include lease contract receivables amounting ₱2.0 billion (Note 13) and notes receivable financed amounting to ₱15.8 billion and ₱13.8 billion, respectively.

Interest income on loans and receivables consists of:

	Consolidated			Parent Company		
	2025	2024	2023	2025	2024	2023
Receivables from customers (Note 32)	₱122,204	₱112,266	₱96,103	₱104,530	₱96,579	₱82,103
Customers' liabilities under LC/trust receipts	2,489	2,968	2,503	2,489	2,968	2,503
Lease contract receivables	1,813	1,490	1,738	—	—	—
Others	77	128	195	63	114	183
	₱126,583	₱116,852	₱100,539	₱107,082	₱99,661	₱84,789

As of December 31, 2025 and 2024, 73.57% and 74.71%, respectively, of the total receivables from customers of the Group, and 80.76% and 82.31%, respectively, of the total receivables from customers of the Parent Company are subject to periodic interest repricing. In 2025, 2024 and 2023, the remaining peso receivables from customers earn annual fixed interest rates ranging from 3.00% to 40.38%, from 3.00% to 40.38% and from 3.00% to 41.72%, respectively for the Group, and 6.00% to 36.00%, 3.80% to 36.00% and 3.80% to 36.00% for the Parent Company, while foreign currency-denominated receivables from customers earn annual fixed interest rates ranging from 2.25% to 36.00%, from 2.25% to 36.00% and from 1.00% to 36.00%, respectively for the Group and 4.15% to 36.00%, 3.02% to 36.00% and 3.00% to 36.00%, respectively for the Parent Company.

10. Property and Equipment

The composition and movements in the account follow:

	Consolidated						
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	BUC	ROU Assets	Total
2025							
Cost							
Balance at January 1	₱5,938	₱16,493	₱23,706	₱5,635	₱882	₱10,668	₱63,322
Additions	—	36	6,886	85	1,518	2,585	11,110
Disposals/early termination	—	—	(4,301)	—	—	(1,832)	(6,133)
Reclassification/others	10	311	(55)	223	(535)	(36)	(82)
Balance at December 31	5,948	16,840	26,236	5,943	1,865	11,385	68,217
Accumulated depreciation and amortization							
Balance at January 1	₱—	₱8,647	₱16,620	₱4,590	₱—	₱5,341	₱35,198
Depreciation and amortization	—	539	2,341	329	—	1,986	5,195
Disposals/early termination	—	—	(1,326)	—	—	(1,789)	(3,115)
Reclassification/others	—	10	72	(24)	—	(3)	55
Balance at December 31	—	9,196	17,707	4,895	—	5,535	37,333
Allowance for impairment losses	—	8	—	—	—	—	8
Net book value at December 31	₱5,948	₱7,636	₱8,529	₱1,048	₱1,865	₱5,850	₱30,876
2024							
Cost							
Balance at January 1	₱5,941	₱17,157	₱22,346	₱5,344	₱327	₱9,945	₱61,060
Additions	—	8	3,131	43	1,071	2,135	6,388
Disposals/early termination	—	—	(1,775)	(1)	—	(1,238)	(3,014)
Reclassification/others	(3)	(672)	4	249	(516)	(174)	(1,112)
Balance at December 31	5,938	16,493	23,706	5,635	882	10,668	63,322
Accumulated depreciation and amortization							
Balance at January 1	—	9,006	15,733	4,302	—	4,768	33,809
Depreciation and amortization	—	550	2,480	308	—	1,881	5,219
Disposals/early termination	—	—	(1,603)	(2)	—	(1,223)	(2,828)
Reclassification/others	—	(909)	10	(18)	—	(85)	(1,002)
Balance at December 31	—	8,647	16,620	4,590	—	5,341	35,198
Allowance for impairment losses	—	8	—	—	—	—	8
Net book value at December 31	₱5,938	₱7,838	₱7,086	₱1,045	₱882	₱5,327	₱28,116



Parent Company							
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	BUC	ROU Assets	Total
2025							
Cost							
Balance at January 1	₱4,801	₱15,112	₱12,804	₱3,894	₱881	₱7,037	₱44,529
Additions	—	—	2,376	1	1,518	1,640	5,535
Disposals/early termination	—	—	(334)	—	—	(1,432)	(1,766)
Reclassification/others	9	310	12	213	(533)	(16)	(5)
Balance at December 31	4,810	15,422	14,858	4,108	1,866	7,229	48,293
Accumulated depreciation and amortization							
Balance at January 1	—	7,846	9,682	2,954	—	3,143	23,625
Depreciation and amortization	—	496	1,290	265	—	1,279	3,330
Disposals	—	—	(294)	—	—	(1,413)	(1,707)
Reclassification/others	—	11	16	(14)	—	4	17
Balance at December 31	—	8,353	10,694	3,205	—	3,013	25,265
Allowance for impairment losses	—	8	—	—	—	—	8
Net book value at December 31	₱4,810	₱7,061	₱4,164	₱903	₱1,866	₱4,216	₱23,020
2024							
Cost							
Balance at January 1	₱4,804	₱15,784	₱11,952	₱3,643	₱327	₱6,358	₱42,868
Additions	—	—	1,233	1	1,071	1,464	3,769
Disposals/early termination	—	—	(413)	—	—	(788)	(1,201)
Reclassification/others	(3)	(672)	32	250	(517)	3	(907)
Balance at December 31	4,801	15,112	12,804	3,894	881	7,037	44,529
Accumulated depreciation and amortization							
Balance at January 1	—	8,251	8,835	2,727	—	2,724	22,537
Depreciation and amortization	—	507	1,181	242	—	1,193	3,123
Disposals	—	—	(368)	—	—	(782)	(1,150)
Reclassification/others	—	(912)	34	(15)	—	8	(885)
Balance at December 31	—	7,846	9,682	2,954	—	3,143	23,625
Allowance for impairment losses	—	8	—	—	—	—	8
Net book value at December 31	₱4,801	₱7,258	₱3,122	₱940	₱881	₱3,894	₱20,896

As of December 31, 2025 and 2024, the cost of fully depreciated property and equipment still in use amounted to ₱10.4 billion and ₱9.6 billion, respectively, for the Group, and ₱7.2 billion and ₱6.5 billion, respectively, for the Parent Company.

11. Investments in Subsidiaries, Associates and a Joint Venture

Investments in subsidiaries consist of:

	2025	2024
Acquisition cost		
PSBank	₱13,076	₱13,076
FMIC	11,751	11,751
MBCL	11,680	11,680
Circa	837	837
First Metro Holdings USA, Inc. (formerly MR USA)	365	365
ORIX Metro	265	265
MR Japan	102	102
FMIRBI	75	75
MR UK	31	31
MRHL	26	26
MRSPL	17	17
Others	25	25
	38,250	38,250

(Forward)



	2025	2024
Accumulated equity in net income		
Balance at January 1	₱42,681	₱38,880
Share in net income	6,148	6,422
Dividends	(5,310)	(2,621)
Balance at December 31	43,519	42,681
Equity in net unrealized loss on investment securities at FVOCI	(333)	(368)
Equity in net unrealized gain on remeasurement of retirement plan and translation adjustment and others	2,968	1,843
Equity in realized loss on sale of equity securities at FVOCI	(351)	(351)
Return of Investment – Circa	(306)	–
Allowance for impairment loss (Note 15)	(648)	(648)
Carrying value		
PSBank	40,588	38,826
FMIC	19,198	19,900
MBCL	18,531	16,970
ORIX Metro	3,794	4,463
First Metro Holdings USA, Inc. (formerly MR USA)	248	225
MRSPL	214	199
MRHL	70	88
FMIRBI	70	72
MR UK	43	37
MR Japan	35	49
Circa	–	294
Others	308	284
	₱83,099	₱81,407

As of December 31, 2025 and 2024, allowance for impairment loss amounting to ₱647.7 million pertains to investment in FMIC.

The following subsidiaries have material non-controlling interests as of December 31, 2025 and 2024:

	Country of Incorporation and Principal Place of Business	Principal Activities	Effective Ownership of Non-Controlling Interest	
			2025	2024
ORIX Metro	Philippines	Leasing, Financing	40.14%	40.14%
PSBank	Philippines	Banking	11.62%	11.62%



The following table presents financial information of subsidiaries with material non-controlling interests as of December 31, 2025 and 2024:

	2025		2024	
	PSBank	ORIX Metro	PSBank	ORIX Metro
Statement of Financial Position				
Total assets	₱237,300	₱21,404	₱216,357	₱18,209
Total liabilities	191,200	11,917	172,251	7,049
Non-controlling interest	6,539	3,831	6,308	4,500
Statement of Income				
Gross income	20,274	5,006	19,962	4,567
Operating income	15,914	4,650	15,318	4,267
Net income	3,501	1,200	5,208	1,203
Net income attributable to non-controlling interest	407	482	605	483
Total comprehensive income	3,273	1,328	5,232	1,105
Statement of Cash Flows				
Net cash provided by (used in) operating activities	2,204	689	(46,222)	2,354
Net cash used in investing activities	(1,289)	(1,150)	33,324	(1,056)
Net cash used in financing activities	3,133	729	(2,075)	(1,828)
Net increase (decrease) in cash and cash equivalents	4,048	268	(14,973)	(530)
Cash and cash equivalents at beginning of year	5,181	613	20,154	1,143
Cash and cash equivalents at end of year	9,229	881	5,181	613

Investment in CIRCA

On May 4, 2022, the stockholders of CIRCA 2000 Homes, Inc. approved the shortening of its corporate term to end on December 31, 2024 through an amendment of its Articles of Incorporation (AOI). The amended AOI was approved by the SEC on June 10, 2022.

In 2025, there was a partial return of the paid- up capital of CIRCA to the Parent Company amounting to ₱400.0 million as part of its liquidation process. The Parent Company recorded income from partial return of paid-up capital amounting to ₱94.3 million in 2025.

Investment in FMIC

On September 15, 2023, the SEC approved the following amendments on the Articles of Incorporation of FMIC:

1. Deletion of the primary purpose pertaining to the quasi- banking and trust activities of FMIC in view of BSP's approval to surrender its quasi-bank and trust license on March 25, 2021;
2. Decrease in the number of authorized common shares of FMIC from 800,000,000 to 16,000,000 shares and increase in the par value from ₱10.00 to ₱500.00 per share.

In 2024, FMIC disposed of its entire equity interest in the following subsidiaries as part of its strategic decision to streamline operations and focus on core businesses for a total consideration of ₱2.4 billion.

Subsidiary Name	Principal Activities	Percentage of Ownership	Date of Disposal
FAMI	Asset Management	70.0%	December 18, 2024
FMPEETFI	Exchange Traded Fund	25.7%	August 22, 2024
FMSLMMF	Mutual Fund	16.9%	August 22, 2024
FMSALEF	Mutual Fund	10.3%	August 22, 2024
FMSALBF	Mutual Fund	15.6%	August 22, 2024
FMSLDBF	Mutual Fund	26.1%	August 22, 2024
FMSLFIF	Mutual Fund	6.0%	August 22, 2024



Following the disposal, FMIC no longer has control or significant influence over the subsidiaries. As such, the financial position of the subsidiaries have been deconsolidated from the date of disposal, and the results of operations of these subsidiaries for the period up to the date of disposal have been included in the consolidated statement of profit or loss and other comprehensive income. In 2024, the total net loss recognized from the disposal (included in 'Profit from assets sold') amounted to ₱77.1 million.

Goodwill

As of December 31, 2025 and 2024, the carrying amount of goodwill of the Group amounted to ₱4.5 billion, of which ₱4.4 billion pertains to the goodwill arising from the acquisition of the then Solidbank Corporation, which was merged with FMIC (Note 3).

Investment in FMIRBI

On August 29, 2023, the BOD of the Parent Company approved the establishment of FMIRBI as an independent and wholly owned subsidiary subject to the approval of the BSP, Insurance Commission and Securities and Exchange Commission (SEC). This was approved by the BSP on December 11, 2023 subject to certain conditions. On April 11, 2024, the SEC approved the incorporation of FMIRBI. FMIRBI had filed an application for insurance and reinsurance license with the Insurance Commission on September 2, 2024. The Insurance Commission granted the license effective January 1, 2025 for insurance and reinsurance and effective March 5, 2025 for HMO.

Investment in MBCL

Upon completion of the regulatory requirements, on May 20, 2024, the Parent Company infused an additional investment of RMB200.0 million (equivalent to ₱1.6 billion) to MBCL as approved by the Bangko Sentral ng Pilipinas (BSP) on December 11, 2023.

Investment in First Metro Holdings USA, Inc. (formerly Metro Remittance (USA), Inc.)

On July 24, 2024, the stockholders of Metro Remittance (USA), Inc. approved the change in business name of the Company from Metro Remittance (USA), Inc. to First Metro Holdings USA, Inc. through an amendment of its Articles of Incorporation (AOI). The amended AOI was approved by the California's Secretary of State on August 30, 2024.

Investment in associates and a joint venture consist of:

	Principal Activities	Consolidated		Parent Company	
		2025	2024	2025	2024
Acquisition cost:					
Lepanto Consolidated Mining Company (LCMC) (11.91% in 2025 and 13.36% in 2024 effectively owned)	Mining	₱2,527	₱2,527	₱—	₱—
SMFC (26.52% effectively owned)*	Financing	610	610	—	—
Northpine Land, Inc. (NLI) (20.00% owned)	Real estate developer	232	232	232	232
Taal Land Inc. (TLI) (35.00% owned)	Real estate	178	178	178	178
Cathay International Resources Corporation (CIRC) (34.49% effectively owned)	Investment house	175	175	—	—
AXA Philippines Life and General Insurance Corporation (AXA Philippines) [formerly Philippine AXA Life Insurance Corporation (PALIC)] (27.97% effectively owned)	Insurance	172	172	—	—
SMBC Metro Investment Corporation (SMBC Metro) (30.00% owned)	Investment house	—	180	—	180
Others		41	41	—	—
		3,935	4,115	410	590

(Forward)



	Principal Activities	Consolidated		Parent Company	
		2025	2024	2025	2024
Accumulated equity in net income:					
Balance at January 1		₱3,832	₱3,531	₱287	₱295
Share in net income		915	765	13	(8)
Dividends		(42)	(464)	—	—
Others**		(47)	—	(47)	—
Balance at December 31		4,658	3,832	253	287
Allowance for impairment losses (Note 15)					
Balance at January 1		(1,479)	(1,342)	(101)	(101)
Reversal of (provision for) impairment losses		557	(137)	—	—
Reversal of allowance due to return of investment – SMBC Metro		23	—	23	—
Balance at December 31		(899)	(1,479)	(78)	(101)
Equity in other comprehensive income		155	71	1	1
Return of investment – SMBC Metro		—	(180)	—	(180)
Sale of investment – LCMC		(201)	—	—	—
Carrying value					
AXA Philippines		5,277	4,464	—	—
SMFC		904	892	—	—
NLI		568	555	568	555
LCMC		826	356	—	—
SMBC Metro		—	24	—	24
TLI		18	18	18	18
Others		55	50	—	—
		₱7,648	₱6,359	₱586	₱597

* Represents investment in a JV of the Group and effective ownership interest of the Parent Company through PSBank.

** Includes equity share on liquidating dividends from SMBC Metro.

The principal place of business of these associates is in the Philippines.

Investment of FMIC in LCMC

FMIC has the ability to exercise significant influence through a 5-year agreement with Philex Mining Corporation to jointly vote. As of December 31, 2025 and 2024, LCMC-A shares are trading at ₱0.185 per share and ₱0.067 per share, respectively, and LCMC-B shares are trading at ₱0.187 per share and ₱0.067 per share, respectively. In 2025, following the improvement in market conditions, the Group recognized reversal of impairment loss amounting to ₱431.4 million. The Group also sold 964 million LCMC-A shares which resulted in a loss of ₱32.1 million and an additional reversal of impairment loss of ₱125.6 million.

Investment in SMBC Metro

In 2025, there was a full liquidation of the Parent's Company's investment in SMBC Metro.

The following tables present financial information of significant associates and a JV:

	Statements of Financial Position		Statements of Income and Other Comprehensive Income				
	Total Assets	Total Liabilities	Gross Income	Operating Income (Loss)	Net Income (Loss)	OCI	Total Comprehensive Income (Loss)
December 31, 2025							
AXA Philippines	₱198,159	₱179,501	₱16,736	₱3,278	₱2,525	₱260	₱2,785
LCMC	9,500	3,927	4,407	1,584	1,562	—	1,562
NLI	2,821	83	41	(32)	16	—	16
SMFC	6,806	3,769	1,782	413	115	—	115
CIRC	1,724	1,895	521	(107)	(98)	1	(97)



	Statements of Financial Position		Statements of Income and Other Comprehensive Income				
	Total Assets	Total Liabilities	Gross Income	Operating Income (Loss)	Net Income (Loss)	OCI	Total Comprehensive Income (Loss)
December 31, 2024							
AXA Philippines	₱185,999	₱170,103	₱19,351	₱3,290	₱2,487	(₱78)	₱2,409
LCMC	8,404	4,094	2,777	157	173	—	173
NLI	2,946	258	6	(59)	(37)	—	(37)
SMFC	6,332	3,289	1,707	379	259	—	259
CIRC	1,844	1,917	493	(113)	(65)	1	(64)

Major assets of significant associates and a JV include the following:

	2025	2024
AXA Philippines		
Cash and cash equivalents	₱9,609	₱7,757
Loans and receivables - net	1,122	1,171
Investment securities at FVTPL	2,094	1,770
Investment securities at FVOCI	27,652	25,113
Property and equipment	354	368
LCMC		
Inventories	454	443
Investments and advances	959	971
Mine exploration cost	11	11
Property, plant and equipment - net	5,870	5,694
NLI		
Cash and cash equivalents	1,511	1,278
Real estate properties	621	677
Receivables - net	548	947
SMFC		
Cash and cash equivalents	389	393
Receivables - net	6,041	5,489
CIRC		
Cash and cash equivalents	96	96
Receivables - net	168	173
Property, plant and equipment - net	1,011	1,087
Condominium units for sale/inventories	155	187

Dividends declared by investee companies of the Group Company follow:

Subsidiary/Associate	Date of Declaration	Per Share	Total Amount	Record Date	Payment Date
2025					
Subsidiaries					
Cash Dividend					
PSBank	January 16, 2025	₱0.75	₱320	February 3, 2025	February 17, 2025
PSBank	April 24, 2025	0.75	320	May 12, 2025	May 26, 2025
PSBank	July 24, 2025	0.75	320	August 8, 2025	August 26, 2025
PSBank	October 23, 2025	0.75	320	November 10, 2025	November 24, 2025
FMIC	December 19, 2025	402.76	3,000	December 31, 2025	February 27, 2026
FMSBC	May 19, 2025	59.17	100	May 31, 2025	July 28, 2025
FMSBC	December 4, 2025	59.17	100	December 15, 2025	December 29, 2025
Orix Rental Corporation	July 18, 2025	100.00	1,500	July 31, 2025	December 31, 2025
OMLF Insurance Agency, Inc	December 15, 2025	41.99	3,000	December 15, 2025	December 23, 2025
PBC Capital Investment Corporation	September 22, 2025	20.00	60	September 22, 2025	September 30, 2025
Prima Ventures Dev. Corp.	September 22, 2025	4.04	17	September 22, 2025	September 30, 2025
Associates					
SMFC	June 19, 2025	6.33	127	June 4, 2025	July 14, 2025



Subsidiary/Associate	Date of Declaration	Per Share	Total Amount	Record Date	Payment Date
2024					
Subsidiaries					
Cash Dividend					
PSBank	January 18, 2024	₱0.75	₱320	February 2, 2024	February 19, 2024
PSBank	April 25, 2024	0.75	320	May 13, 2024	May 27, 2024
PSBank	July 25, 2024	0.75	320	August 9, 2024	August 27, 2024
PSBank	October 17, 2024	0.75	320	November 4, 2024	November 18, 2024
FMIC	April 1, 2024	201.38	1,500	April 30, 2024	June 28, 2024
FMSBC	April 15, 2024	59.17	100	April 15, 2024	July 12, 2024
OMLF Insurance Agency, Inc	January 5, 2024	28.41	71	January 5, 2024	January 31, 2024
PBC Capital Investment Corporation	April 30, 2024	10.00	30	April 30, 2024	May 31, 2024
Associates					
AXA Philippines	December 12, 2024	150.00	1,500	November 30, 2024	December 17, 2024
SMFC	June 28, 2024	5.45	109	June 13, 2024	July 23, 2024

12. Investment Properties

This account consists of foreclosed real estate properties and investments in real estate:

	Consolidated					
	2025			2024		
	Land	Buildings and Improvements	Total	Land	Buildings and Improvements	Total
Cost						
Balance at January 1	₱5,144	₱5,253	₱10,397	₱5,230	₱5,445	₱10,675
Additions	395	1,035	1,430	265	579	844
Disposals	(395)	(677)	(1,072)	(351)	(771)	(1,122)
Balance at December 31	5,144	5,611	10,755	5,144	5,253	10,397
Accumulated depreciation and amortization						
Balance at January 1	—	1,215	1,215	—	1,160	1,160
Depreciation and amortization	—	178	178	—	171	171
Disposals	—	(100)	(100)	—	(116)	(116)
Balance at December 31	—	1,293	1,293	—	1,215	1,215
Allowance for impairment losses (Note 15)						
Balance at January 1	1,214	163	1,377	1,221	187	1,408
Provision for (reversal of) impairment loss	(2)	11	9	4	13	17
Disposals	(18)	(21)	(39)	(11)	(37)	(48)
Balance at December 31	1,194	153	1,347	1,214	163	1,377
Net book value at December 31	₱3,950	₱4,165	₱8,115	₱3,930	₱3,875	₱7,805

	Parent Company					
	2025			2024		
	Land	Buildings and Improvements	Total	Land	Buildings and Improvements	Total
Cost						
Balance at January 1	₱3,231	₱1,945	₱5,176	₱3,243	₱1,951	₱5,194
Additions	287	573	860	153	184	337
Disposals	(201)	(211)	(412)	(165)	(190)	(355)
Balance at December 31	3,317	2,307	5,624	3,231	1,945	5,176
Accumulated depreciation and amortization						
Balance at January 1	—	630	630	—	606	606
Depreciation and amortization	—	83	83	—	71	71
Disposals	—	(29)	(29)	—	(47)	(47)
Balance at December 31	—	684	684	—	630	630
Allowance for impairment losses (Note 15)						
Balance at January 1	943	38	981	953	38	991
Disposals	(13)	(1)	(14)	(10)	—	(10)
Balance at December 31	930	37	967	943	38	981
Net book value at December 31	₱2,387	₱1,586	₱3,973	₱2,288	₱1,277	₱3,565

As of December 31, 2025 and 2024, foreclosed investment properties still subject to redemption period by the borrowers amounted to ₱832.3 million and ₱776.1 million, respectively, for the Group, and ₱311.1 million and ₱322.7 million, respectively, for the Parent Company.



As of December 31, 2025 and 2024, aggregate market value of investment properties amounted to ₱17.4 billion and ₱16.6 billion, respectively, for the Group, and ₱9.7 billion and ₱8.9 billion, respectively, for the Parent Company, of which ₱11.0 billion and ₱10.0 billion, respectively, for the Group, and ₱9.7 billion and ₱8.9 billion, respectively, for the Parent Company were determined by independent external appraisers. Information about the fair value measurement of investment properties are also presented in Note 5.

Rental income on investment properties (included in 'Leasing income' in the statements of income) in 2025, 2024 and 2023 amounted to ₱174.9 million, ₱112.1 million and ₱92.8 million, respectively, for the Group (Note 13) and ₱55.2 million and nil consecutively, respectively, for the Parent Company.

Direct operating expenses on investment properties that did not generate rental income (included under 'Litigation expenses') in 2025, 2024 and 2023 amounted to ₱405.1 million, ₱372.5 million and ₱389.7 million, respectively, for the Group and ₱79.1 million, ₱79.7 million and ₱78.6 million, respectively, for the Parent Company (Note 25).

Net gains from sale of investment properties (included in 'Profit from assets sold' in the statements of income) in 2025, 2024 and 2023 amounted to ₱388.0 million, ₱355.3 million and ₱1.7 billion, respectively, for the Group, and ₱213.0 million, ₱139.8 million and ₱1.6 billion, respectively, for the Parent Company.

13. Leases

Group as a Lessee

As of December 31, 2025 and 2024, 60.67% and 60.14%, respectively, of the Parent Company's branch sites are under lease arrangements. Also, some of its subsidiaries lease the premises occupied by their Head Offices and most of their branches. The lease contracts are for periods ranging from one to 30 years and some are renewable at the Group's option under certain terms and conditions. Various lease contracts include escalation clauses, which bear an annual rent increase of 2.00% to 20.00% in 2025 and 2024. As of December 31, 2025 and 2024, the Group has no contingent rent payable.

The carrying amounts of lease liabilities (included in 'Other Liabilities' in Note 21) are as follows:

	Consolidated		Parent Company	
	2025	2024	2025	2024
Balance at January 1	₱5,953	₱5,764	₱4,333	₱4,018
Additions	2,585	2,135	1,640	1,464
Expiry/early termination	(42)	(12)	(20)	(8)
Accretion of interest	414	350	298	239
Payments	(2,370)	(2,194)	(1,518)	(1,384)
Others	19	(90)	6	4
Balance at December 31	₱6,559	₱5,953	₱4,739	₱4,333

The Group and the Parent Company recognized the following:

	Consolidated			Parent Company		
	2025	2024	2023	2025	2024	2023
Interest expense on lease liabilities	₱415	₱350	₱340	₱298	₱239	₱223
Rent expense from short-term leases and leases of low-value assets*	1,001	1,124	930	753	859	698

* Included under 'Occupancy and equipment -related cost'



Future minimum rentals payable under non-cancelable leases follows:

	Consolidated		Parent Company	
	2025	2024	2025	2024
Within one year	₱1,933	₱1,892	₱1,038	₱939
After one year but not more than five years	4,722	4,600	3,671	3,633
More than five years	1,021	675	976	604
	₱7,676	₱7,167	₱5,685	₱5,176

As of December 31, 2025 and 2024, the Parent Company has undiscounted potential future rental payments arising from extension options expected not to be exercised and thus, not included in the calculation of lease liability amounting to ₱90.4 million and ₱55.5 million, respectively.

Group as a Lessor

The Group has entered into commercial property leases on its investment property portfolio, consisting of the Group's available office spaces and investment properties and lease agreements over various items of machinery and equipment which are non-cancelable and have remaining non-cancelable lease terms of between one to seven years. In 2025, 2024 and 2023, leasing income on investment properties amounted to ₱2.2 billion, ₱2.0 billion and ₱1.9 billion, respectively, for the Group, and ₱64.3 million, ₱72.1 million and ₱78.3 million, respectively, for the Parent Company.

Future minimum rentals receivable under non-cancelable operating leases follows:

	Consolidated		Parent Company	
	2025	2024	2025	2024
Within one year	₱1,391	₱1,419	₱39	₱39
After one year but not more than five years	1,191	1,375	65	64
More than five years	—	—	—	—
	₱2,582	₱2,794	₱104	₱103

Finance Leases

Lease contract receivables under finance leases, which are accounts of ORIX Metro, are due in monthly installments with terms ranging from one to seven years. These are broken down as follows (Note 9):

	2025	2024
Within one year	₱194	₱433
After one year but not more than five years	1,771	1,562
Greater than five years	4	1
	₱1,969	₱1,996



14. Other Assets

This account consists of:

	Consolidated		Parent Company	
	2025	2024	2025	2024
Software costs - net	₱4,971	₱4,177	₱4,521	₱3,687
Investment in SPVs	1,919	1,919	1,919	1,919
Prepaid expenses	1,738	1,591	1,210	1,252
Chattel properties acquired in foreclosure - net	1,320	943	46	61
Creditable withholding tax	1,132	1,082	603	542
Documentary and postage stamps on hand	1,004	610	990	581
Customized system development cost	859	2,715	859	2,715
Returned checks and other cash items	555	232	533	215
Interoffice float items	452	4	452	4
Residual value of leased assets	365	391	—	—
Assets held under joint operations (Note 32)	115	137	115	137
Miscellaneous (Note 27)	7,192	7,504	5,824	6,290
	21,622	21,305	17,072	17,403
Less: allowance for impairment losses	3,354	3,356	3,344	3,346
	₱18,268	₱17,949	₱13,728	₱14,057

Movements in software costs account follow:

	Consolidated		Parent Company	
	2025	2024	2025	2024
Cost				
Balance at January 1	₱13,444	₱11,501	₱10,688	₱9,013
Additions	2,545	2,036	2,344	1,682
Disposals/reclassification/others	(186)	(93)	(157)	(7)
Balance at December 31	15,803	13,444	12,875	10,688
Accumulated amortization				
Balance at January 1	9,267	8,157	7,001	6,018
Amortization	1,565	1,153	1,363	984
Disposals/others	—	(43)	(10)	(1)
Balance at December 31	10,832	9,267	8,354	7,001
Net book value at December 31	₱4,971	₱4,177	₱4,521	₱3,687

Movements in chattel properties acquired in foreclosure follow:

	Consolidated		Parent Company	
	2025	2024	2025	2024
Cost				
Balance at January 1	₱1,092	₱1,059	₱86	₱92
Additions	5,294	4,013	38	56
Disposals/others	(4,910)	(3,980)	(52)	(62)
Balance at December 31	1,476	1,092	72	86
Accumulated depreciation and amortization				
Balance at January 1	148	232	24	19
Depreciation and amortization	299	243	16	20
Disposals/others	(296)	(327)	(15)	(15)
Balance at December 31	151	148	25	24
Allowance for impairment losses	5	1	1	1
Net book value at December 31	₱1,320	₱943	₱46	₱61

Assets held under joint operations are parcels of land and former branch sites of the Parent Company which were contributed to separate joint operations with FLI and Federal Land Orix Corporation (Note 32). These are carried at costs, which are lower than the net realizable values.



Investment in SPVs represents subordinated notes issued by Cameron Granville 3 Asset Management, Inc. and LNC 3 Asset Management, Inc. with face amount of ₱9.4 billion and ₱2.6 billion, respectively. These notes are non-interest bearing and payable over five (5) years starting April 1, 2006, with rollover of two (2) years at the option of the note issuers. The subordinated notes which are fully provided with allowance for impairment losses have gross carrying amount (after write-off) of ₱1.9 billion as of December 31, 2025 and 2024.

Miscellaneous assets include assets held in Trust which represents the fund set aside by the Parent Company and PSBank for the specific purpose of E-money balance liquidation in compliance with BSP Circular No. 1166. As provided in the circular, the amount held in the trust account shall not fall below the required minimum balance of at least 50.00% of the outstanding e-money balances. As of December 31, 2025 and 2024, assets held in Trust amounted to ₱1.4 billion and ₱1.2 billion, respectively, for the Group, and ₱1.2 billion and ₱1.0 billion, respectively, for the Parent Company. The remaining percentage of outstanding E-money balance was covered by government securities amounting to ₱1.3 billion and ₱1.1 billion, respectively, for the Group and ₱1.2 billion and ₱1.0 billion, respectively for the Parent Company.

15. Allowance for Credit and Impairment Losses

An analysis of changes in the ECL allowances in 2025 and 2024 is as follows:

	Consolidated			
	Due from Other Banks	Interbank Loans Receivable	Investment Securities at FVOCI	Investment Securities at Amortized Cost
2025				
ECL allowance, January 1, 2025	₱68	₱61	₱869	₱321
Asset derecognized or repaid	(68)	(61)	—	—
New asset originated	69	76	—	—
Changes in assumptions	—	—	7	1
ECL allowance, December 31, 2025	₱69	₱76	₱876	₱322
2024				
ECL allowance, January 1, 2024	₱51	₱36	₱809	₱375
Asset derecognized or repaid	(51)	(36)	—	—
New asset originated	68	61	—	—
Changes in assumptions	—	—	60	(54)
ECL allowance, December 31, 2024	₱68	₱61	₱869	₱321

	Consolidated			
	Receivables from Customers			
	Stage 1	Stage 2	Stage 3	Total
2025				
Commercial loans				
ECL allowance, January 1, 2025	₱11,487	₱1,528	₱14,199	₱27,214
Newly originated assets that remained in Stage 1 as at year-end	3,525	—	—	3,525
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	2,335	986	3,321
Assets derecognized or repaid	(6,559)	(497)	(1,490)	(8,546)
Amounts written off	—	—	(28)	(28)
Transfers to/(from) Stage 1	571	—	—	571
Transfers to/(from) Stage 2	—	(558)	—	(558)
Transfers to/(from) Stage 3	—	—	(13)	(13)
Changes in assumptions	(1,941)	624	823	(494)
ECL allowance, December 31, 2025	7,083	3,432	14,477	24,992

(Forward)



	Consolidated			
	Receivables from Customers			Total
	Stage 1	Stage 2	Stage 3	
Residential mortgage loans				
ECL allowance, January 1, 2025	372	292	483	1,147
Newly originated assets that remained in Stage 1 as at year-end	46	–	–	46
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	2	25	27
Assets derecognized or repaid	(161)	(63)	(107)	(331)
Transfers to/(from) Stage 1	94	–	–	94
Transfers to/(from) Stage 2	–	(56)	–	(56)
Transfers to/(from) Stage 3	–	–	(38)	(38)
Changes in assumptions	(92)	(41)	29	(104)
ECL allowance, December 31, 2025	259	134	392	785
Auto loans				
ECL allowance, January 1, 2025	1,059	774	1,067	2,900
Newly originated assets that remained in Stage 1 as at year-end	481	–	–	481
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	80	319	399
Assets derecognized or repaid	(178)	(219)	(146)	(543)
Amounts written off	–	–	(559)	(559)
Transfers to/(from) Stage 1	67	–	–	67
Transfers to/(from) Stage 2	–	(169)	–	(169)
Transfers to/(from) Stage 3	–	–	102	102
Changes in assumptions	(643)	311	932	600
ECL allowance, December 31, 2025	786	777	1,715	3,278
Credit card				
ECL allowance, January 1, 2025	2,204	3,586	4,360	10,150
Newly originated assets that remained in Stage 1 as at year-end	716	–	–	716
Assets derecognized or repaid	(17)	(108)	(151)	(276)
Amounts written off	–	–	(3,095)	(3,095)
Transfers to/(from) Stage 1	417	–	–	417
Transfers to/(from) Stage 2	–	(1,737)	–	(1,737)
Transfers to/(from) Stage 3	–	–	1,320	1,320
Changes in assumptions*	(328)	2,504	7,787	9,963
ECL allowance, December 31, 2025	2,992	4,245	10,221	17,458
Trade loans				
ECL allowance, January 1, 2025	282	2	402	686
Newly originated assets that remained in Stage 1 as at year-end	327	–	–	327
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	83	397	480
Assets derecognized or repaid	(281)	(1)	(123)	(405)
Changes in assumptions	–	10	13	23
ECL allowance, December 31, 2025	328	94	689	1,111
Other loans				
ECL allowance, January 1, 2025	64	83	231	378
Newly originated assets that remained in Stage 1 as at year-end	33	–	–	33
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	13	21	34
Assets derecognized or repaid	(20)	(2)	(27)	(49)
Amounts written off	–	–	(160)	(160)
Transfers to/(from) Stage 1	(24)	–	–	(24)
Transfers to/(from) Stage 2	–	10	–	10
Transfers to/(from) Stage 3	–	–	14	14
Changes in assumptions	(12)	(13)	210	185
ECL allowance, December 31, 2025	41	91	289	421
Total receivables from customers				
ECL allowance, January 1, 2025	15,468	6,265	20,742	42,475
Newly originated assets that remained in Stage 1 as at year-end	5,128	–	–	5,128
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	2,513	1,748	4,261
Assets derecognized or repaid	(7,216)	(890)	(2,044)	(10,150)
Amounts written off	–	–	(3,842)	(3,842)
Transfers to/(from) Stage 1	1,125	–	–	1,125
Transfers to/(from) Stage 2	–	(2,510)	–	(2,510)
Transfers to/(from) Stage 3	–	–	1,385	1,385
Changes in assumptions	(3,016)	3,395	9,794	10,173
ECL allowance, December 31, 2025	₱11,489	₱8,773	₱27,783	₱48,045

(Forward)



	Consolidated			
	Receivables from Customers			Total
	Stage 1	Stage 2	Stage 3	
2024				
Commercial loans				
ECL allowance, January 1, 2024	₱9,079	₱8,897	₱13,678	₱31,654
Newly originated assets that remained in Stage 1 as at year-end	5,433	—	—	5,433
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	666	6,486	7,152
Assets derecognized or repaid	(5,018)	(7,717)	(4,453)	(17,188)
Amounts written off	—	—	(881)	(881)
Transfers to/(from) Stage 1	43	—	—	43
Transfers to/(from) Stage 2	—	250	—	250
Transfers to/(from) Stage 3	—	—	(293)	(293)
Changes in assumptions	1,950	(568)	(338)	1,044
ECL allowance, December 31, 2024	11,487	1,528	14,199	27,214
Residential mortgage loans				
ECL allowance, January 1, 2024	506	718	516	1,740
Newly originated assets that remained in Stage 1 as at year-end	95	—	—	95
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	3	14	17
Assets derecognized or repaid	(106)	(94)	(102)	(302)
Transfers to/(from) Stage 1	354	—	—	354
Transfers to/(from) Stage 2	—	(301)	—	(301)
Transfers to/(from) Stage 3	—	—	(53)	(53)
Changes in assumptions	(477)	(34)	108	(403)
ECL allowance, December 31, 2024	372	292	483	1,147
Auto loans				
ECL allowance, January 1, 2024	2,190	724	1,567	4,481
Newly originated assets that remained in Stage 1 as at year-end	619	—	—	619
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	135	223	358
Assets derecognized or repaid	(279)	(159)	(221)	(659)
Amounts written off	—	—	(1,102)	(1,102)
Transfers to/(from) Stage 1	(73)	—	—	(73)
Transfers to/(from) Stage 2	—	(109)	—	(109)
Transfers to/(from) Stage 3	—	—	182	182
Changes in assumptions	(1,398)	183	418	(797)
ECL allowance, December 31, 2024	1,059	774	1,067	2,900
Credit card				
ECL allowance, January 1, 2024	1,902	2,788	3,481	8,171
Newly originated assets that remained in Stage 1 as at year-end	125	—	—	125
Assets derecognized or repaid	(16)	(89)	(116)	(221)
Amounts written off	—	—	(7,233)	(7,233)
Transfers to/(from) Stage 1	322	—	—	322
Transfers to/(from) Stage 2	—	(1,052)	—	(1,052)
Transfers to/(from) Stage 3	—	—	730	730
Changes in assumptions*	(129)	1,939	7,498	9,308
ECL allowance, December 31, 2024	2,204	3,586	4,360	10,150
Trade loans				
ECL allowance, January 1, 2024	281	20	284	₱585
Newly originated assets that remained in Stage 1 as at year-end	282	—	—	282
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	—	123	123
Assets derecognized or repaid	(281)	(17)	(6)	(304)
Changes in assumptions	—	(1)	1	—
ECL allowance, December 31, 2024	282	2	402	686
Other loans				
ECL allowance, January 1, 2024	95	224	261	580
Newly originated assets that remained in Stage 1 as at year-end	54	—	—	54
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	19	15	34
Assets derecognized or repaid	57	(4)	(20)	33
Amounts written off	—	—	(193)	(193)

(Forward)



	Consolidated			
	Receivables from Customers			
	Stage 1	Stage 2	Stage 3	Total
Transfers to/(from) Stage 1	(P25)	P–	P–	(P25)
Transfers to/(from) Stage 2	–	(24)	–	(24)
Transfers to/(from) Stage 3	–	–	49	49
Changes in assumptions	(117)	(132)	119	(130)
ECL allowance, December 31, 2024	64	83	231	378
Total receivables from customers				
ECL allowance, January 1, 2024	14,053	13,371	19,787	47,211
Newly originated assets that remained in Stage 1 as at year-end	6,608	–	–	6,608
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	823	6,861	7,684
Assets derecognized or repaid	(5,643)	(8,080)	(4,918)	(18,641)
Amounts written off	–	–	(9,409)	(9,409)
Transfers to/(from) Stage 1	621	–	–	621
Transfers to/(from) Stage 2	–	(1,236)	–	(1,236)
Transfers to/(from) Stage 3	–	–	615	615
Changes in assumptions	(171)	1,387	7,806	9,022
ECL allowance, December 31, 2024	P15,468	P6,265	P20,742	P42,475

*includes impact on ECL of exposures transferred between stages

	Consolidated			
	Other Receivables			
	Stage 1	Stage 2	Stage 3	Total
2025				
ECL allowance, January 1, 2025	P31	P19	P564	P614
Newly originated assets that remained in Stage 1 as at year-end	11	–	–	11
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	6	13	19
Assets derecognized or repaid	(7)	(2)	(50)	(59)
Amounts written off	–	–	(21)	(21)
Transfers to/(from) Stage 1	2	–	–	2
Transfers to/(from) Stage 2	–	(4)	–	(4)
Transfers to/(from) Stage 3	–	–	2	2
Changes in assumptions	(13)	9	(18)	(22)
ECL allowance, December 31, 2025	P24	P28	P490	P542
2024				
ECL allowance, January 1, 2024	P139	P27	P883	P1,049
Newly originated assets that remained in Stage 1 as at year-end	19	–	–	19
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	6	23	29
Assets derecognized or repaid	(20)	(14)	(347)	(381)
Amounts written off	–	–	(1)	(1)
Transfers to/(from) Stage 1	(1)	–	–	(1)
Transfers to/(from) Stage 3	–	–	1	1
Changes in assumptions	(106)	–	5	(101)
ECL allowance, December 31, 2024	P31	P19	P564	P614

	Consolidated			
	Loan Commitments and Financial Guarantees			
	Stage 1	Stage 2	Stage 3	Total
2025				
ECL allowance, January 1, 2025	P775	P375	P4	P1,154
Newly originated assets that remained in Stage 1 as at year-end	918	–	–	918
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	4	–	4
Assets derecognized or repaid	(191)	(66)	(4)	(261)
Transfers to/(from) Stage 1	72	–	–	72
Transfers to/(from) Stage 2	–	(73)	–	(73)
Transfers to/(from) Stage 3	–	–	1	1
Changes in assumptions	314	92	5	411
ECL allowance, December 31, 2025	P1,888	P332	P6	P2,226



	Consolidated			
	Loan Commitments and Financial Guarantees			Total
	Stage 1	Stage 2	Stage 3	
2024				
ECL allowance, January 1, 2024	₱849	₱226	₱—	₱1,075
Newly originated assets that remained in Stage 1 as at year-end	291	—	—	291
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	—	—	—
Assets derecognized or repaid	(82)	(25)	—	(107)
Transfers to/(from) Stage 1	29	—	—	29
Transfers to/(from) Stage 2	—	(30)	—	(30)
Transfers to/(from) Stage 3	—	—	1	1
Changes in assumptions	(312)	204	3	(105)
ECL allowance, December 31, 2024	₱775	₱375	₱4	₱1,154

	Parent Company			
	Due from Other Banks	Interbank Loans Receivable	Investment Securities at FVOCI	Investment Securities at Amortized Cost
2025				
ECL allowance, January 1, 2025	₱62	₱54	₱863	₱310
Asset derecognized and repaid	(62)	(54)	—	—
New asset originated	65	55	—	—
Changes in assumptions	—	—	(1)	5
ECL allowance, December 31, 2025	₱65s	₱55	₱862	₱315
2024				
ECL allowance, January 1, 2024	₱36	₱33	₱809	₱361
Asset derecognized and repaid	(36)	(33)	—	—
New asset originated	62	54	—	—
Changes in assumptions	—	—	54	(51)
ECL allowance, December 31, 2024	₱62	₱54	₱863	₱310

	Parent Company			
	Receivable from Customers			Total
	Stage 1	Stage 2	Stage 3	
2025				
Commercial loans				
ECL allowance, January 1, 2025	₱9,353	₱1,485	₱12,354	₱23,192
Newly originated assets that remained in Stage 1 as at year-end	3,190	—	—	3,190
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	2,237	621	2,858
Assets derecognized or repaid	(6,014)	(480)	(669)	(7,163)
Amounts written off	—	—	(20)	(20)
Transfers to/(from) Stage 1	594	—	—	594
Transfers to/(from) Stage 2	—	(558)	—	(558)
Transfers to/(from) Stage 3	—	—	(36)	(36)
Changes in assumptions	(2,022)	620	831	(571)
ECL allowance, December 31, 2025	5,101	3,304	13,081	21,486
Residential mortgage loans				
ECL allowance, January 1, 2025	291	121	311	723
Newly originated assets that remained in Stage 1 as at year-end	31	—	—	31
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	2	14	16
Assets derecognized or repaid	(157)	(49)	(68)	(274)
Transfers to/(from) Stage 1	51	—	—	51
Transfers to/(from) Stage 2	—	(16)	—	(16)
Transfers to/(from) Stage 3	—	—	(35)	(35)
Changes in assumptions	(27)	7	60	40
ECL allowance, December 31, 2025	189	65	282	536
Auto loans				
ECL allowance, January 1, 2025	143	14	251	408
Newly originated assets that remained in Stage 1 as at year-end	35	—	—	35
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	2	6	8
Assets derecognized or repaid	(110)	(6)	(38)	(154)
Amounts written off	—	—	(17)	(17)
Transfers to/(from) Stage 1	6	—	—	6
Transfers to/(from) Stage 2	—	(4)	—	(4)
Transfers to/(from) Stage 3	—	—	(2)	(2)
Changes in assumptions	(5)	2	34	31
ECL allowance, December 31, 2025	69	8	234	311

(Forward)



	Parent Company			
	Receivable from Customers			Total
	Stage 1	Stage 2	Stage 3	
Credit card				
ECL allowance, January 1, 2025	2,204	3,586	4,360	10,150
Newly originated assets that remained in Stage 1 as at year-end	716	—	—	716
Assets derecognized or repaid	(17)	(108)	(151)	(276)
Amounts written off	—	—	(3,095)	(3,095)
Transfers to/(from) Stage 1	417	—	—	417
Transfers to/(from) Stage 2	—	(1,737)	—	(1,737)
Transfers to/(from) Stage 3	—	—	1,320	1,320
Changes in assumptions*	(328)	2,504	7,787	9,963
ECL allowance, December 31, 2025	2,992	4,245	10,221	17,458
Trade loans				
ECL allowance, January 1, 2025	₱282	₱2	₱402	₱686
Newly originated assets that remained in Stage 1 as at year-end	327	—	—	327
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	83	397	480
Assets derecognized or repaid	(281)	(1)	(123)	(405)
Changes in assumptions	—	10	13	23
ECL allowance, December 31, 2025	328	94	689	1,111
Other loans				
ECL allowance, January 1, 2025	8	11	78	97
Newly originated assets that remained in Stage 1 as at year-end	10	—	—	10
Assets derecognized or repaid	—	—	—	—
Accounts written off	—	—	(92)	(92)
Transfers to/(from) Stage 1	1	—	—	1
Transfers to/(from) Stage 2	—	(1)	—	(1)
Transfers to/(from) Stage 3	—	—	—	—
Changes in assumptions	(6)	9	145	148
ECL allowance, December 31, 2025	13	19	131	163
Total receivables from customers				
ECL allowance, January 1, 2025	12,281	5,219	17,756	35,256
Newly originated assets that remained in Stage 1 as at year-end	4,309	—	—	4,309
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	2,324	1,038	3,362
Assets derecognized or repaid	(6,579)	(644)	(1,049)	(8,272)
Amounts written off	—	—	(3,224)	(3,224)
Transfers to/(from) Stage 1	1,069	—	—	1,069
Transfers to/(from) Stage 2	—	(2,316)	—	(2,316)
Transfers to/(from) Stage 3	—	—	1,247	1,247
Changes in assumptions	(2,388)	3,152	8,870	9,634
ECL allowance, December 31, 2025	₱8,692	₱7,735	₱24,638	₱41,065

	Parent Company			
	Receivable from Customers			Total
	Stage 1	Stage 2	Stage 3	
2024				
Commercial loans				
ECL allowance, January 1, 2024	₱6,127	₱8,836	₱11,629	₱439
Newly originated assets that remained in Stage 1 as at year-end	4,895	—	—	—
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	653	5,898	—
Assets derecognized or repaid	(3,540)	(7,658)	(4,280)	—
Amounts written off	—	—	(378)	(439)
Transfers to/(from) Stage 1	(50)	—	—	—
Transfers to/(from) Stage 2	—	223	—	—
Transfers to/(from) Stage 3	—	—	(173)	—
Changes in assumptions	1,921	(569)	(342)	—
ECL allowance, December 31, 2024	9,353	1,485	12,354	—
Residential mortgage loans				
ECL allowance, January 1, 2024	312	144	321	—
Newly originated assets that remained in Stage 1 as at year-end	53	—	—	—
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	—	9	—
Assets derecognized or repaid	(98)	(47)	(70)	—
Transfers to/(from) Stage 1	32	—	—	—
Transfers to/(from) Stage 2	—	1	—	—
Transfers to/(from) Stage 3	—	—	(33)	—
Changes in assumptions	(8)	23	84	—
ECL allowance, December 31, 2024	291	121	311	—

(Forward)



	Parent Company				
	Receivable from Customers				
	Stage 1	Stage 2	Stage 3	POCI	Total
Auto loans					
ECL allowance, January 1, 2024	₱172	₱115	₱277	₱–	₱564
Newly originated assets that remained in Stage 1 as at year-end	71	–	–	–	71
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	3	5	–	8
Assets derecognized or repaid	(110)	(25)	(55)	–	(190)
Amounts written off	–	–	(15)	–	(15)
Transfers to/(from) Stage 1	85	–	–	–	85
Transfers to/(from) Stage 2	–	(81)	–	–	(81)
Transfers to/(from) Stage 3	–	–	(4)	–	(4)
Changes in assumptions	(75)	2	43	–	(30)
ECL allowance, December 31, 2024	143	14	251	–	408
	Parent Company				
	Receivables from Customers				
	Stage 1	Stage 2	Stage 3	POCI	Total
Credit card					
ECL allowance, January 1, 2024	1,902	2,788	3,481	–	8,171
Newly originated assets that remained in Stage 1 as at year-end	125	–	–	–	125
Assets derecognized or repaid	(16)	(89)	(116)	–	(221)
Amounts written off	–	–	(7,233)	–	(7,233)
Transfers to/(from) Stage 1	322	–	–	–	322
Transfers to/(from) Stage 2	–	(1,052)	–	–	(1,052)
Transfers to/(from) Stage 3	–	–	730	–	730
Changes in assumptions*	(129)	1,939	7,498	–	9,308
ECL allowance, December 31, 2024	2,204	3,586	4,360	–	10,150
Trade loans					
ECL allowance, January 1, 2024	281	20	284	–	585
Newly originated assets that remained in Stage 1 as at year-end	282	–	–	–	282
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	–	123	–	123
Assets derecognized or repaid	(281)	(17)	(6)	–	(304)
Changes in assumptions	–	(1)	1	–	–
ECL allowance, December 31, 2024	282	2	402	–	686
Other loans					
ECL allowance, January 1, 2024	–	6	72	–	78
Newly originated assets that remained in Stage 1 as at year-end	6	–	–	–	6
Assets derecognized or repaid	–	–	(1)	–	(1)
Accounts written off	–	–	(78)	–	(78)
Changes in assumptions	2	5	85	–	92
ECL allowance, December 31, 2024	8	11	78	–	97
Total receivables from customers					
ECL allowance, January 1, 2024	8,794	11,909	16,064	439	37,206
Newly originated assets that remained in Stage 1 as at year-end	5,432	–	–	–	5,432
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	656	6,035	–	6,691
Assets derecognized or repaid	(4,045)	(7,836)	(4,528)	–	(16,409)
Amounts written off	–	–	(7,704)	(439)	(8,143)
Transfers to/(from) Stage 1	389	–	–	–	389
Transfers to/(from) Stage 2	–	(909)	–	–	(909)
Transfers to/(from) Stage 3	–	–	520	–	520
Changes in assumptions	1,711	1,399	7,369	–	10,479
ECL allowance, December 31, 2024	₱12,281	₱5,219	₱17,756	₱–	₱35,256

*includes impact on ECL of exposures transferred between stages



	Parent Company			
	Other Receivables			
	Stage 1	Stage 2	Stage 3	Total
2025				
ECL allowance, January 1, 2025	₱20	₱6	₱537	₱563
Newly originated assets that remained in Stage 1 as at year-end	5	—	—	5
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	5	3	8
Assets derecognized or repaid	(6)	(1)	(48)	(55)
Amounts written off	—	—	—	—
Transfers to/(from) Stage 1	2	—	—	2
Transfers to/(from) Stage 2	—	(1)	—	(1)
Transfers to/(from) Stage 3	—	—	(1)	(1)
Changes in assumptions	(7)	2	(48)	(53)
ECL allowance, December 31, 2025	₱14	₱11	₱443	₱468
2024				
ECL allowance, January 1, 2024	₱117	₱12	₱845	₱974
Newly originated assets that remained in Stage 1 as at year-end	13	—	—	13
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	4	16	20
Assets derecognized or repaid	(18)	(10)	(315)	(343)
Amounts written off	—	—	(1)	(1)
Transfers to/(from) Stage 2	—	1	—	1
Transfers to/(from) Stage 3	—	—	(1)	(1)
Changes in assumptions	(92)	(1)	(7)	(100)
ECL allowance, December 31, 2024	₱20	₱6	₱537	₱563

	Parent Company			
	Loan Commitments and Financial Guarantees			
	Stage 1	Stage 2	Stage 3	Total
2025				
ECL allowance, January 1, 2025	₱700	₱375	₱4	₱1,079
Newly originated assets that remained in Stage 1 as at year-end	896	—	—	896
Newly originated assets that moved to Stage 2 as at year-end	—	4	—	4
Assets derecognized or repaid	(191)	(66)	(4)	(261)
Transfers to/(from) Stage 1	72	—	—	72
Transfers to/(from) Stage 2	—	(73)	—	(73)
Transfers to/(from) Stage 3	—	—	1	1
Changes in assumptions	309	92	4	405
ECL allowance, December 31, 2025	1,786	332	5	2,123
2024				
ECL allowance, January 1, 2024	₱769	₱226	₱—	₱995
Newly originated assets that remained in Stage 1 as at year-end	298	—	—	298
Newly originated assets that moved to Stage 2 as at year-end	—	—	—	—
Assets derecognized or repaid	(82)	(25)	—	(107)
Transfers to/(from) Stage 1	29	—	—	29
Transfers to/(from) Stage 2	—	(30)	—	(30)
Transfers to/(from) Stage 3	—	—	1	1
Changes in assumptions	(314)	204	3	(107)
ECL allowance, December 31, 2024	₱700	₱375	₱4	₱1,079

As of December 31, 2025 and 2024, the ECL allowances on loan commitments and financial guarantees are included in ‘Miscellaneous liabilities’ under ‘Other liabilities’ (Note 21).



The ECL allowance on accounts receivables of the Group and the Parent Company based on their aging as of December 31, 2025 and 2024 follows:

Age of accounts receivables	Consolidated		Parent Company	
	2025	2024	2025	2024
Current	₱16	₱-	₱-	₱-
Up to 1 month	52	94	49	69
> 1 to 2 months	2	6	1	5
> 2 to 3 months	3	3	1	2
More than 3 months	3,217	3,262	2,698	2,735
Total ECL	₱3,290	₱3,365	₱2,749	₱2,811

Below is the breakdown of provision for (reversal of) credit and impairment losses:

	Consolidated			Parent Company		
	2025	2024	2023	2025	2024	2023
Financial assets and other credit-related exposures:						
Loans and receivables	₱12,448	₱6,035	₱8,104	₱9,987	₱6,199	₱6,252
Investment securities	1	(54)	(96)	5	(51)	(91)
Interbank loans receivable	15	25	17	1	21	18
Due from other banks	1	17	10	3	26	13
	12,465	6,023	8,035	9,996	6,195	6,192
Non-financial assets:						
Investment properties	9	17	12	-	-	-
Goodwill	-	174	474	-	-	-
Investments in subsidiaries, associates and a joint venture	(557)	137	459	-	174	474
Other assets	2	9	(2)	(2)	10	(5)
	(546)	337	943	(2)	184	469
	₱11,919	₱6,360	₱8,978	₱9,994	₱6,379	₱6,661

With the foregoing level of allowance for credit and impairment losses, management believes that the Group has sufficient allowance to take care of any losses that the Group may incur from the non-collection or non-realization of its receivables and other risk assets.

16. Deposit Liabilities

The LTNCDs of the Group and the Parent Company which matured in 2024 consist of the following:

BSP Approval Date	Interest Rate	Issue Date	Maturity Date
Parent Company			
August 12, 2016	3.88%	July 20, 2017	July 20, 2024
July 19, 2018	5.38%	October 4, 2018	April 4, 2024
PSBank			
July 13, 2018	5.00%	August 9, 2018	February 9, 2024

As of December 31, 2025 and 2024, 17.66% and 17.54%, respectively, of the total interest-bearing deposit liabilities of the Group, and 14.98% and 15.36%, respectively, of the total interest-bearing deposit liabilities of the Parent Company are subject to periodic interest repricing. In 2025, 2024 and 2023, the outstanding peso deposit liabilities (excluding LTNCDs above) of the Group and the Parent Company earn annual fixed interest rates ranging from 0.06% to 12.50%, while the outstanding foreign currency-denominated deposit liabilities earn annual fixed interest rates ranging from 0.05% to 5.30%, from 0.05% to 6.46% and from 0.00% to 8.84%, respectively for the Group and Parent Company.



Interest expense on deposit liabilities consists of:

	Consolidated			Parent Company		
	2025	2024	2023	2025	2024	2023
CASA	₱1,102	₱982	₱987	₱799	₱767	₱769
Time	40,364	47,779	39,043	34,226	41,250	32,042
LTNCD	–	214	1,090	–	201	829
	₱41,466	₱48,975	₱41,120	₱35,025	₱42,218	₱33,640

Reserve Requirement

In March 2025, BSP Circular No. 1211 was issued reducing the reserve requirements against deposit and deposit substitute liabilities from 7.00% to 5.00% effective reserve week starting March 28, 2025. Reserve requirements for peso-denominated LTNCDs and Other Bonds are still at 4.00% and 3.00% respectively. 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. The Parent Company and PSBank were in compliance with the reserve requirements as of December 31, 2025 and 2024.

The total statutory and liquidity reserves (included in ‘Due from BSP’ account) as reported to the BSP are as follows:

	2025	2024
Parent Company	₱105,641	₱148,945
PSBank	401	1,183
	₱106,042	₱150,128

17. Bills Payable and Securities Sold Under Repurchase Agreements

This account consists of borrowings from:

	Consolidated		Parent Company	
	2025	2024	2025	2024
SSURA	₱407,556	₱276,628	₱404,236	₱276,628
Local banks	43,623	3,050	45,462	2,123
BSP	40,900	–	40,900	–
Foreign banks	38,655	20,969	15,134	7,785
Deposit substitutes	–	5	–	5
	₱530,734	₱300,652	₱505,732	₱286,541

Interbank borrowings with foreign and local banks are mainly short-term borrowings. Deposit substitutes pertain to borrowings from the public.

The following are the carrying values of the debt securities (Note 8) pledged and transferred under SSURA transactions of the Group and the Parent Company:

	Consolidated				Parent Company			
	2025		2024		2025		2024	
	Transferred Securities	SSURA	Transferred Securities	SSURA	Transferred Securities	SSURA	Transferred Securities	SSURA
Investment securities at FVTPL	₱2,988	₱2,652	₱83,564	₱83,292	₱2,988	₱2,652	₱83,564	₱83,292
Investment securities at FVOCI								
Government	332,723	327,311	46,677	43,099	332,723	327,311	46,677	43,099
Private	3,320	3,320	–	–	–	–	–	–
Investment securities at amortized cost	80,201	74,273	168,582	150,237	80,201	74,273	168,582	150,237
	₱419,232	₱407,556	₱298,823	₱276,628	₱415,912	₱404,236	₱298,823	₱276,628



The Group's peso borrowings are subject to annual fixed interest rates ranging from 4.50% to 5.30%, from 4.75% to 5.91% and from 2.90% to 6.45% in 2025, 2024 and 2023, respectively, while the Group's foreign currency-denominated borrowings are subject to annual fixed interest rates ranging from 1.31% to 5.55%, from 0.00% to 6.63% and from 0.00% to 7.50% in 2025, 2024 and 2023, respectively. For the Parent Company, the peso borrowings are subject to annual fixed interest rates ranging from 4.50% to 5.30%, 4.75% and from 4.13% to 4.75% in 2025, 2024 and 2023, respectively, while the foreign currency-denominated borrowings are subject to annual fixed interest rates ranging from 0.00% to 5.55%, from 0.00% to 6.63% and from 0.00% to 7.50% in 2025, 2024 and 2023, respectively.

Interest expense on bills payable (included in the 'Interest expense on bills payable and SSURA, bonds payable, subordinated debts and others' in the statements of income) in 2025, 2024 and 2023 amounted to ₱14.4 billion, ₱9.4 billion and ₱3.9 billion, respectively, for the Group and ₱14.1 billion, ₱9.0 billion and ₱3.4 billion, respectively, for the Parent Company.

18. Accrued Interest and Other Expenses

This account consists of:

	Consolidated		Parent Company	
	2025	2024	2025	2024
Accrued interest (Note 32)	₱8,437	₱10,521	₱7,324	₱9,476
Accrued other expenses	10,343	13,023	7,707	10,511
	₱18,780	₱23,544	₱15,031	₱19,987

Accrued other expenses include accruals for compensation and fringe benefits, rentals, percentage and other taxes, professional fees, advertising and information technology expenses and other expenses.

19. Bonds Payable

This account consists of the following scrippless fixed rate bonds:

Issue Date	Maturity Date	Interest Rate	Face Value	Carrying Value	
				2025	2024
Parent Company					
<u>Fixed Rated Bonds</u>					
June 4, 2021	September 4, 2026	3.60%	₱19,000	₱18,982	₱18,953
<u>USD Senior Unsecured Notes</u>					
July 15, 2020	January 15, 2026	2.125%	US\$500	29,391	28,819
March 6, 2024	March 6, 2029	5.375%	500	29,187	28,646
March 6, 2024	March 6, 2034	5.500%	500	28,970	28,440
				106,530	104,858
<u>Fixed Rated Bonds</u>					
PSBank					
August 18, 2025	August 18, 2027	5.875%	₱5,000	4,961	–
MBCL					
June 25, 2024	June 25, 2027	2.60%	CN¥300	2,522	2,378
				₱114,013	₱107,236



Specific terms of these bonds follow:

Parent Company

- ₱23.7 billion fixed rate bonds issued on October 28, 2022 with issue price at 100% face value, which bear an interest rate of 5.00% per annum, payable quarterly in arrears on January 28, April 28, July 28 and October 28 of each year, commencing on January 28, 2023. The bonds matured on April 28, 2024. Total bond issuance costs amounted to ₱194.8 million.
- ₱19.0 billion fixed rate bonds issued on June 4, 2021 with issue price at 100% face value, which bear an interest rate of 3.60% per annum, payable quarterly in arrears on March 4, June 4, September 4 and December 4 of each year, commencing on September 4, 2021. The bonds will mature on September 4, 2026. Total bond issuance costs amounted to ₱156.0 million.
- US\$500.0 million senior unsecured notes issued on July 15, 2020 with issue price at 99.096% face value, which bear an interest rate of 2.125% per annum, payable semi-annually in arrears on January 15 and July 15 of each year, commencing on January 15, 2021. The bonds matured on January 15, 2026. Total bond issuance costs amounted to ₱484.9 million.
- US\$500.0 million senior unsecured notes issued on March 6, 2024 with issue price at 99.879% face value, which bear an interest rate of 5.375% per annum, payable semi-annually in arrears on March 6 and September 6 of each year, commencing on September 6, 2024. The bonds will mature on March 6, 2029. Total bond issuance costs amounted to ₱326.7 million.
- US\$500.0 million senior unsecured notes issued on March 6, 2024 with issue price at 99.25% face value, which bear an interest rate of 5.50% per annum, payable semi-annually in arrears on March 6 and September 6 of each year, commencing on September 6, 2024. The bonds will mature on March 6, 2034. Total bond issuance costs amounted to ₱520.9 million.

PSBank

- ₱5.0 billion fixed rate bonds issued on August 18, 2025 with issue price at 100% face value, which bear an interest rate of 5.875% per annum, payable quarterly in arrears on November 18, February 18, May 18 and August 18 of each year, commencing on August 18, 2025. Total bond issuance costs amounted to ₱44.5 million.

MBCL

- CN¥300 million fixed rate bonds issued on June 25, 2024 with issue price at 100.00% face value, which bear an interest rate of 2.60% per annum, payable annually commencing on June 27, 2024. The bonds will mature on June 25, 2027.

Interest expense on bonds payable in 2025, 2024 and 2023 amounted to ₱5.1 billion, ₱4.8 billion and ₱3.1 billion, respectively, for the Group, and ₱4.9 billion, ₱4.7 billion and ₱3.1 billion, respectively, for the Parent Company. As of December 31, 2025 and 2024, unamortized bond issue costs amounted to ₱686.1 million and ₱909.2 million, respectively, for the Group, and ₱655.3 million and ₱909.2 million, respectively, for the Parent Company.

Reserve Requirement

Peso-denominated bonds are subject to reserves equivalent to 3.00% in 2025 and 2024. The Parent Company and PSBank were in compliance with such requirements as of December 31, 2025 and 2024.



20. Subordinated Debts

On December 20, 2013, Metrobank Card Corporation issued ₱1.2 billion subordinated notes with an issue price of 100% face value (absorbed by the Parent Company on January 3, 2020 relative to the merger), which bear an interest rate of 6.21% per annum and matured on December 20, 2023. The interest of the notes are payable quarterly in arrears every March 20, June 20, September 20 and December 20 each year, commencing on March 20, 2014. The Parent Company is in compliance with the terms and conditions upon which these subordinated notes have been issued.

In 2023, interest expense on subordinated debt included in 'Interest expense on bills payable and SSURA, bonds payable, subordinated debt and others' amounted to ₱71.2 million (including amortization of debt issue cost of ₱1.0 million).

21. Non-equity Non-controlling Interest and Other Liabilities

Non-equity Non-controlling Interest

This account arises when mutual funds are consolidated and where the Group holds less than 100.00% of the investment in these funds. When this occurs, the Group acquires a liability in respect of non-controlling interests in the funds of which the Group has control. Such non-controlling interests are distinguished from equity non-controlling interests in that the Group does not hold an equity stake in such funds. In 2024, FMIC disposed of its entire interest in these mutual funds (Note 11).

Loss attributable to non-equity non-controlling interests amounting to ₱403.0 million in 2024 and ₱124.0 million in 2023, is included under 'Trading and securities gain (loss) - net' in the statements of income (Note 8).

Other Liabilities

This account consists of:

	Consolidated		Parent Company	
	2025	2024	2025	2024
Accounts payable	₱43,370	₱40,034	₱19,010	₱20,665
Marginal deposits	15,951	18,801	399	17
Bills purchased - contra (Note 9)	14,175	13,889	14,175	13,889
Lease liability (Note 13)	6,559	5,953	4,739	4,333
Deferred revenues (Note 25)	2,300	1,769	2,300	1,769
Other credits	1,989	1,924	1,758	1,703
Retirement liability (Note 27)	1,782	3,246	1,671	3,144
Outstanding acceptances	1,547	1,178	1,547	1,178
Withholding taxes payable	1,247	1,451	1,135	1,348
Deposits on lease contracts	656	665	—	—
Miscellaneous (Notes 11 and 15)	8,504	5,240	6,525	4,257
	₱98,080	₱94,150	₱53,259	₱52,303

Deferred revenues include deferral and recognition of loyalty points program transactions and membership fees and dues for credit card business. Miscellaneous liabilities include provision on committed lines (Note 15), due to the Treasurer of the Philippines and interoffice float items.



22. Maturity Profile of Assets and Liabilities

The following tables present the assets and liabilities by contractual maturity and settlement dates:

	Consolidated					
	2025		Total	2024		Total
	Due Within One Year	Due Beyond One Year		Due Within One Year	Due Beyond One Year	
Financial Assets - at gross						
Cash and other cash items	₱34,577	₱—	₱34,577	₱33,726	₱—	₱33,726
Due from BSP	106,042	—	106,042	150,128	—	150,128
Due from other banks	64,407	—	64,407	82,136	—	82,136
Interbank loans receivable and SPURA	72,666	—	72,666	81,348	—	81,348
Investment securities at FVTPL	101,476	12,365	113,841	217,463	8,839	226,302
Investment securities at FVOCI	400,734	553,726	954,460	153,937	419,064	573,001
Investment securities at amortized cost	10,141	463,455	473,596	8,545	466,800	475,345
Loans and receivables (Note 9)						
Receivables from customers	844,697	1,148,577	1,993,274	834,909	997,932	1,832,841
Unquoted debt securities	385	—	385	403	—	403
Accrued interest receivable	27,084	—	27,084	24,805	—	24,805
Accounts receivable	30,742	—	30,742	21,630	488	22,118
Sales contract receivable	14	—	14	18	5	23
Other receivables	12	2	14	8	4	12
Other assets (Note 14)						
Investments in SPVs	1,919	—	1,919	1,919	—	1,919
Returned checks and other cash items	555	—	555	232	—	232
Inter office float items	452	—	452	4	—	4
Miscellaneous	1,378	25	1,403	1,151	26	1,177
	<u>1,697,281</u>	<u>2,178,150</u>	<u>3,875,431</u>	<u>1,612,362</u>	<u>1,893,158</u>	<u>3,505,520</u>
Non-Financial Assets - at gross						
Property and equipment (Note 10)	—	68,217	68,217	—	63,322	63,322
Investments in associates and a JV (Note 11)	—	8,570	8,570	—	7,839	7,839
Investment properties (Note 12)	—	10,755	10,755	—	10,397	10,397
Deferred tax assets (Note 28)	—	15,307	15,307	—	18,037	18,037
Goodwill (Note 11)	—	6,403	6,403	—	6,403	6,403
Assets held under joint operations (Note 14)	—	115	115	—	137	137
Residual value of leased asset (Note 14)	118	247	365	168	223	391
Other assets (Note 14)	3,874	23,926	27,800	3,283	23,578	26,861
	<u>3,992</u>	<u>133,540</u>	<u>137,532</u>	<u>3,451</u>	<u>129,936</u>	<u>133,387</u>
	<u>₱1,701,273</u>	<u>₱2,311,690</u>	<u>4,012,963</u>	<u>₱1,615,813</u>	<u>₱2,023,094</u>	<u>3,638,907</u>
Less:						
Unearned discounts and capitalized interest (Note 9)			23,198			17,738
Accumulated depreciation and amortization (Notes 10, 12 and 14)			49,607			45,828
Allowance for credit and impairment losses (Notes 10, 11, 12, 14, and 15)			59,841			54,986
			<u>₱3,880,317</u>			<u>₱3,520,355</u>
Financial Liabilities						
Deposit liabilities						
Demand	₱642,415	₱—	₱642,415	₱608,370	₱—	₱608,370
Savings	932,693	—	932,693	879,568	—	879,568
Time	1,066,153	19,695	1,085,848	1,065,219	20,721	1,085,940
	<u>2,641,261</u>	<u>19,695</u>	<u>2,660,956</u>	<u>2,553,157</u>	<u>20,721</u>	<u>2,573,878</u>
Bills payable and SSURA (Note 17)	505,599	25,135	530,734	300,652	—	300,652
Derivative liabilities (Note 8)	6,403	7,099	13,502	8,566	4,804	13,370
Manager's checks and demand drafts outstanding	7,293	—	7,293	6,901	—	6,901
Accrued interest and other expenses	17,583	—	17,583	20,782	—	20,782
Bonds payable (Note 19)	48,373	65,640	114,013	—	107,236	107,236
Other liabilities (Note 21)						
Accounts payable	43,358	12	43,370	40,032	2	40,034
Marginal deposits	14,690	1,261	15,951	18,801	—	18,801
Bills purchased - contra	14,175	—	14,175	13,889	—	13,889
Lease liability	1,726	4,833	6,559	1,468	4,485	5,953
Outstanding acceptances	1,547	—	1,547	1,178	—	1,178
Deposits on lease contracts	238	418	656	301	364	665
Dividends payable	121	—	121	88	—	88
	<u>3,302,367</u>	<u>124,093</u>	<u>3,426,460</u>	<u>2,965,815</u>	<u>137,612</u>	<u>3,103,427</u>
Non-Financial Liabilities						
Retirement liability (Notes 21 and 27)	—	1,782	1,782	—	3,246	3,246
Income taxes payable	4,792	—	4,792	4,219	—	4,219
Accrued interest and other expenses	1,197	—	1,197	2,762	—	2,762
Withholding taxes payable (Note 21)	1,247	—	1,247	1,451	—	1,451
Deferred tax and other liabilities (Notes 21 and 28)	10,683	1,989	12,672	6,921	1,924	8,845
	<u>17,919</u>	<u>3,771</u>	<u>21,690</u>	<u>15,353</u>	<u>5,170</u>	<u>20,523</u>
	<u>₱3,320,286</u>	<u>₱127,864</u>	<u>₱3,448,150</u>	<u>₱2,981,168</u>	<u>₱142,782</u>	<u>₱3,123,950</u>



	Parent Company					
	2025			2024		
	Due Within One Year	Due Beyond One Year	Total	Due Within One Year	Due Beyond One Year	Total
Financial Assets - at gross						
Cash and other cash items	₱32,871	₱–	₱32,871	₱31,929	₱–	₱31,929
Due from BSP	105,641	–	105,641	148,945	–	148,945
Due from other banks	42,648	–	42,648	62,414	–	62,414
Interbank loans receivable and SPURA	35,953	–	35,953	53,961	–	53,961
Investment securities at FVTPL	101,469	12,328	113,797	217,161	8,762	225,923
Investment securities at FVOCI	372,311	504,044	876,355	123,651	388,464	512,115
Investment securities at amortized cost	8,642	436,163	444,805	5,161	439,904	445,065
Loans and receivables						
Receivables from customers	755,983	983,419	1,739,402	762,020	838,965	1,600,985
Unquoted debt securities	385	–	385	403	–	403
Accrued interest receivable	23,651	–	23,651	21,703	–	21,703
Accounts receivable	14,371	–	14,371	8,735	–	8,735
Sales contract receivable	10	–	10	13	5	18
Other receivables	2	–	2	2	–	2
Other assets						
Investments in SPVs	1,919	–	1,919	1,919	–	1,919
Inter office float items	452	–	452	4	–	4
Returned checks and other cash items	533	–	533	215	–	215
Miscellaneous	1,237	–	1,237	–	–	–
	1,498,078	1,935,954	3,434,032	1,438,236	1,676,100	3,114,336
Non-Financial Assets - at gross						
Property and equipment	–	48,293	48,293	–	44,529	44,529
Investments in subsidiaries	–	83,747	83,747	–	82,055	82,055
Investments in associates	–	663	663	–	698	698
Investment properties	–	5,623	5,623	–	5,176	5,176
Deferred tax assets	–	13,443	13,443	–	16,072	16,072
Assets held under joint operations	–	115	115	–	137	137
Retirement assets	–	35	35	–	–	–
Other assets	2,803	19,572	22,375	3,370	19,996	23,366
	2,803	171,491	174,294	3,370	168,663	172,033
	₱1,500,881	₱2,107,445	3,608,326	₱1,441,606	₱1,844,763	3,286,369
Less:						
Unearned discounts and capitalized interest			20,503			15,597
Accumulated depreciation and amortization			34,328			31,280
Allowance for credit and impairment losses			50,974			45,354
			₱3,502,521			₱3,194,138
Financial Liabilities						
Deposit liabilities						
Demand	₱586,157	₱–	₱586,157	₱559,133	₱–	₱ 559,133
Savings	884,817	–	884,817	832,157	–	832,157
Time	903,609	393	904,002	929,654	520	930,174
	2,374,583	393	2,374,976	2,320,944	520	2,321,464
Bills payable and SSURA (Note 17)	480,597	25,135	505,732	286,541	–	286,541
Derivative liabilities (Note 8)	6,402	7,098	13,500	8,565	4,804	13,369
Manager's and demand drafts outstanding	6,478	–	6,478	5,286	–	5,286
Accrued interest and other expenses	13,834	–	13,834	17,225	–	17,225
Bonds payable (Note 19)	48,372	58,158	106,530	–	104,858	104,858
Other liabilities (Note 21)						
Accounts payable	19,010	–	19,010	20,665	–	20,665
Bills purchased - contra	14,175	–	14,175	13,889	–	13,889
Lease liability	822	3,917	4,739	767	3,566	4,333
Outstanding acceptances	1,547	–	1,547	1,178	–	1,178
Marginal deposits	399	–	399	17	–	17
	2,966,219	94,701	3,060,920	2,675,077	113,748	2,788,825
Non-Financial Liabilities						
Retirement benefit liability	–	1,671	1,671	–	3,144	3,144
Income taxes payable	4,625	–	4,625	4,143	–	4,143
Accrued interest and other expenses	1,197	–	1,197	2,762	–	2,762
Withholding taxes payable (Note 21)	1,135	–	1,135	1,348	–	1,348
Other liabilities (Note 21)	8,825	1,758	10,583	6,026	1,703	7,729
	15,782	3,429	19,211	14,279	4,847	19,126
	₱2,982,001	₱98,130	₱3,080,131	₱2,689,356	₱118,595	₱2,807,951



23. Capital Stock

As of December 31, 2025 and 2024, this account consists of (amounts in millions, except par value and number of shares):

	Shares	Amount
Authorized		
Common stock – ₱20.00 par value	6,000,000,000	
Preferred stock – ₱20.00 par value	1,000,000,000	
Common stock issued and outstanding		
Balance at January 1 and December 31	4,497,415,555	₱89,948

As of December 31, 2025 and 2024, the Parent Company had no treasury shares outstanding. The treasury shares held by FMIC's mutual fund were disposed in 2024 (Note 11).

Preferred shares are non-voting except as provided by law; have preference over Common Shares in the distribution of dividends; subject to such terms and conditions as may be determined by the BOD and to the extent permitted by applicable law, may or may not be redeemable; and shall have such other features as may be determined by the BOD at the time of issuance.

On March 15, 2013, the BOD of the Parent Company approved (a) the amendment of the Articles of Incorporation (AOI) to increase the authorized capital stock and (b) the declaration of 30.00% stock dividend, which were ratified by the stockholders representing at least 2/3 of the outstanding capital stock on April 15, 2013. These were subsequently approved by the BSP on May 15, 2013 and by the SEC on August 13, 2013. Following this, the authorized capital stock of the Parent Company increased from ₱50.0 billion to ₱100.0 billion consisting of 4.0 billion common shares and 1.0 billion preferred shares, both with par value of ₱20.0 per share. The 30.00% stock dividend equivalent to 633,415,049 common shares amounting to ₱12.7 billion represents at least the minimum 25.00% subscribed and paid-up capital for the increase in the authorized capital stock referred to above which was issued/paid on September 16, 2013 with record date on September 3, 2013.

On September 10, 2013, the PSE approved the listing of such additional common shares.

On January 21, 2015, the Parent Company's BOD approved the Stock Rights Offer (SRO) by way of issuance from the unissued portion of the authorized capital stock which was noted by BSP with the issuance of a letter of no objection to the Rights Issue on February 17, 2015. On February 24, 2015, the SEC confirmed the exemption of this issuance of ₱32.0 billion worth of common shares from the registration requirements under Section 8 of the SRC. On February 25, 2015, the PSE approved the listing of up to 500.0 million common shares to cover the SRO to all stockholders of record as of March 18, 2015. On April 7, 2015, following regulatory approvals, the Parent Company concluded the ₱32.0 billion SRO, involving 435,371,720 common shares with par value of ₱20.0 priced at ₱73.5 per share and listed with the PSE on the same date. The difference between the issued price and the par value is recognized as 'Capital paid in excess of par value'.

On January 17, 2018, the Parent Company's BOD approved the SRO by way of issuance of up to a maximum of 819,827,214 common shares to raise additional capital of up to ₱60.0 billion. This was noted by the BSP with the issuance of a letter of no objection to the rights issue on January 29, 2018. On April 4, 2018, following the regulatory approvals, the Parent Company concluded the ₱60.0 billion SRO, involving 799,842,250 common shares with par value of ₱20.0 priced at ₱75.0 per share and listed on the PSE on April 12, 2018. Transaction costs on the SRO amounting to ₱878.2 million were charged against 'Capital paid in excess of par value'.



On February 13, 2019, the BOD of the Parent Company approved (a) the amendment of the AOI to increase the authorized capital stock from ₱100.0 billion to ₱140.0 billion and (b) the declaration of a 13.00% stock dividend equivalent to 517,401,955 shares amounting to ₱10.3 billion representing the minimum 25.00% subscription and paid-up capital for the increase in the authorized capital stock which were ratified by the stockholders representing at least 2/3 of the outstanding capital stock on April 24, 2019. These were approved by the BSP on August 8, 2019 and by the SEC on October 4, 2019. Following this, the authorized capital stock of the Parent Company increased from ₱100.0 billion to ₱140.0 billion consisting of 6.0 billion common shares and 1.0 billion preferred shares, both with par value of ₱20.0 per share. On October 16, 2019, the Parent Company received the SEC Order fixing the Record Date of the 13.00% stock dividend on October 31, 2019.

The 13.00% stock dividend was issued on November 26, 2019 with record date on October 31, 2019.

On November 19, 2019, the PSE approved the listing of such stock dividend.

All issued and outstanding shares of the Parent Company are listed with the PSE (Note 1). As of December 31, 2025 and 2024, there are 2,901 and 2,922 holders, respectively, of the listed shares of the Parent Company, with share price closed at ₱68.5 and ₱72.0 per share, respectively.

The history of share issuances during the last ten years follows:

Year	Issuance	Listing Date	Number of Shares Issued
2019	Stock dividend	November 26, 2019	517,400,519
2018	Stock rights	April 12, 2018	799,842,250
2015	Stock rights	April 7, 2015	435,371,720

Details of the Parent Company's cash dividend distributions from 2023 to 2025 follow:

Date of Declaration	Per Share	Total Amount	Record Date	Payment Date
February 19, 2025	₱1.5 (regular)	₱6,746	September 8, 2025	September 23, 2025
February 19, 2025	1.5 (regular)	6,746	March 6, 2025	March 28, 2025
February 19, 2025	2.0 (special)	8,995	March 6, 2025	March 28, 2025
February 21, 2024	1.5 (regular)	6,746	September 5, 2024	September 20, 2024
February 21, 2024	1.5 (regular)	6,746	March 8, 2024	March 25, 2024
February 21, 2024	2.0 (special)	8,995	March 8, 2024	March 25, 2024
February 22, 2023	0.8 (regular)	3,598	September 8, 2023	September 22, 2023
February 22, 2023	0.8 (regular)	3,598	March 17, 2023	March 31, 2023
February 22, 2023	1.4 (special)	6,296	March 17, 2023	March 31, 2023

On February 19, 2025, the BOD of the Parent Company approved the declaration of regular cash dividend of ₱3.0 per share for the year, payable on semi-annual basis at ₱1.5 per share. In addition, a special cash dividend of ₱2.0 per share was also declared.

On February 21, 2024, the BOD of the Parent Company approved a new dividend policy of increasing the regular cash dividends from ₱1.6 to ₱3.0 per share for the year, payable on semi-annual basis at ₱1.5 per share.

On February 23, 2022, the BOD of the Parent Company approved a new dividend policy of increasing the regular cash dividends from ₱1.0 to ₱1.6 per share for the year, payable on semi-annual basis at ₱0.8 per share.

The computation of surplus available for dividend declaration in accordance with SEC Memorandum Circular No. 16 issued in September 2023 differs to a certain extent from the computation following BSP guidelines.



24. Surplus Reserves

This account consists of:

	2025	2024
Reserve for trust business (Note 29)	₱2,406	₱2,278
Reserve for self-insurance	631	610
	₱3,037	₱2,888

In compliance with existing BSP regulations, 10.00% of the Group and Parent Company's income from trust business is appropriated to surplus reserves. This yearly appropriation is required until the surplus reserve for trust business equals 20.00% of the Group and Parent Company's regulatory net worth.

Reserve for self-insurance represents the amount set aside to cover losses due to fire, defalcation by and other unlawful acts of the Parent Company's personnel or third parties.

25. Other Operating Income and Expenses

Service Charges, Fees and Commissions

The table below presents the disaggregation of service charges, fees and commission by business segment:

	Consolidated			Parent Company		
	2025	2024	2023	2025	2024	2023
Consumer banking	₱9,524	₱9,101	₱8,036	₱8,886	₱8,464	₱7,486
Branch banking	3,693	3,893	4,017	2,756	2,780	2,898
Investment banking/treasury	1,677	1,058	750	1,221	944	552
Corporate banking	962	826	1,007	848	741	937
Others*	2,026	2,054	2,580	727	804	1,206
	₱17,882	₱16,932	₱16,390	₱14,438	₱13,733	₱13,079

*Others include the remittance business of the Group and the Parent Company.

The remaining performance obligations on revenue contracts with customers of the Group under PFRS 15, which are expected to be recognized beyond one year amounting to ₱1.6 billion and ₱1.3 billion (included in 'Deferred revenues' under 'Other liabilities') as of December 31, 2025 and 2024, respectively, refer to the customer loyalty program of the Parent Company. The customer loyalty points have no expiration and redemptions can go beyond one year.

Miscellaneous Income and Expenses

In 2025, 2024 and 2023, miscellaneous income includes gain on initial recognition of investment properties and other non-financial assets amounting to ₱654.7 million, ₱876.6 million and ₱836.1 million, respectively, for the Group, and ₱249.9 million, ₱148.2 millions and ₱104.6 million, respectively, for the Parent Company; recovery on charged-off assets amounting to ₱1.2 billion, ₱1.2 billion and ₱1.2 billion, respectively, for the Group, and ₱785.4 million, ₱867.8 million and ₱856.4 million, respectively, for the Parent Company; and IT service fees and other income amounting to ₱820.1 million, ₱606.1 million and ₱471.1 million, respectively, for the Group, and ₱647.1 million, ₱471.2 million and ₱294.3 million, respectively, for the Parent Company (Note 32).



Miscellaneous expenses consist of:

	Consolidated			Parent Company		
	2025	2024	2023	2025	2024	2023
Security, messengerial, janitorial and other services	₱5,252	₱4,893	₱4,570	₱4,555	₱4,239	₱4,054
Insurance	4,981	4,852	4,490	4,274	4,326	3,925
Information technology (Note 32)	3,646	3,164	2,641	3,288	2,801	2,317
Advertising	2,420	2,181	1,878	2,339	2,108	1,796
Management, professional and supervision fees	1,523	1,343	1,665	1,325	1,142	1,350
Repairs and maintenance	775	786	692	287	322	267
Litigation (Note 12)	661	594	587	330	283	296
Entertainment, amusement and representation (EAR) (Note 28)	611	672	448	536	604	392
Transportation and travel	572	593	455	481	498	369
Communications	491	514	545	305	318	327
Stationery and supplies used	417	427	380	335	353	311
Others*	3,531	2,807	2,560	2,872	2,139	1,711
	₱24,880	₱22,826	₱20,911	₱20,927	₱19,133	₱17,115

* Other expenses mainly include membership fees, donation, freight charges and other business expenses.

26. Notes to Statements of Cash Flows

The amounts of interbank loans receivable and SPURA, gross of allowance for credit losses, considered as cash and cash equivalents follow:

	Consolidated			Parent Company		
	2025	2024	2023	2025	2024	2023
Interbank loans receivable and SPURA	₱72,666	₱81,348	₱73,015	₱35,953	₱53,960	₱59,219
Interbank loans receivable and SPURA not considered as cash and cash equivalents	(16,226)	(11,818)	(9,333)	(4,553)	(2,314)	(477)
	₱56,440	₱69,530	₱63,682	₱31,400	₱51,646	₱58,742

Significant non-cash transactions of the Group and the Parent Company include:

- Additions to ROU assets as disclosed in Note 10;
- Foreclosures of properties or additions to investment and chattel properties as disclosed in Notes 12 and 14, respectively;
- Reclassifications of BUC and Furniture, Fixtures and Equipment (FFE) (Note 10);
- Reclassifications of software cost from customized system development costs (Note 14).

The table below provides for the changes in liabilities arising from financing activities in 2025, 2024 and 2023:

	Consolidated			
	Beginning	Net Cash Flows	Others	Ending
2025				
Bills payable and SSURA (Note 17)	₱300,652	₱230,087	(₱5)	₱530,734
Bonds payable (Note 19)	107,236	4,961	1,816	114,013
Dividends payable (Note 21)	88	33	—	121
Total liabilities from financing activities	₱407,976	₱235,081	₱1,812	₱644,868
2024				
Bills payable and SSURA (Note 17)	₱156,896	₱143,764	(₱8)	₱300,652
Bonds payable (Note 19)	70,089	33,751	3,396	107,236
Dividends payable (Note 21)	89	(1)	—	88
Total liabilities from financing activities	₱227,074	₱177,514	₱3,388	₱407,976

(Forward)



Consolidated				
	Beginning	Net Cash Flows	Others	Ending
2023				
Bills payable and SSURA (Note 17)	P91,322	P66,629	(P1,055)	P156,896
Bonds payable (Note 19)	88,409	(18,400)	80	70,089
Subordinated debts (Note 20)	1,169	(1,170)	1	—
Dividends payable (Note 21)	90	(1)	—	89
Total liabilities from financing activities	P180,990	P47,058	(P974)	P227,074
Parent Company				
	Beginning	Net Cash Flows	Others	Ending
2025				
Bills payable and SSURA (Note 17)	P286,541	P219,196	(P5)	P505,732
Bonds payable (Note 19)	104,858	—	1,672	106,530
Total liabilities from financing activities	P391,399	P219,196	P1,667	P612,262
2024				
Bills payable and SSURA (Note 17)	P141,081	P145,466	(P6)	P286,541
Bonds payable (Note 19)	70,089	31,324	3,445	104,858
Total liabilities from financing activities	P211,170	P176,790	P3,439	P391,399
2023				
Bills payable and SSURA (Note 17)	P76,456	P65,000	(P375)	P141,081
Bonds payable (Note 19)	83,761	(13,750)	78	70,089
Subordinated debts (Note 20)	1,169	(1,170)	1	—
Total liabilities from financing activities	P161,386	P50,080	(P296)	P211,170

Others include the effect of cash flows of liabilities arising from operating activities.

27. Retirement Plan and Other Employee Benefits

The Parent Company and most of its subsidiaries have funded non-contributory defined benefit retirement plans covering all their respective permanent and full-time employees. Benefits are based on the employee's years of service and final plan salary.

For employees of the Parent Company, retirement from service is compulsory upon the attainment of the 55th birthday or 30th year of service, whichever comes first.

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 Parent Company and most of its subsidiaries meet the minimum retirement benefit specified under RA No. 7641.

The principal actuarial assumptions used in determining retirement liability of the Parent Company and significant subsidiaries are shown below:

	Parent Company	FMIC	PSBank	ORIX Metro
As of January 1, 2025				
Average remaining working life	9.77 years	6 to 9 years	8 years	9 to 15 years
Discount rate	6.07%	6.12%	6.12%	5.77 % to 5.94 %
Future salary increases	7.00%	6.00%	5.50%	7.00% to 8.00%
As of January 1, 2024				
Average remaining working life	9.62 years	7 to 9 years	8 years	10.10 to 18.20 years
Discount rate	6.08%	6.03% to 6.09%	6.06%	6.50%
Future salary increases	8.00%	6.00%	6.00%	7.00%



Discount rates used in computing for the present value of the DBO of the Parent Company and significant subsidiaries as of December 31, 2025 and 2024 follow:

	Parent Company	FMIC	PSBank	ORIX Metro
2025	6.25%	6.17% to 6.33%	6.24%	6.04% to 6.40%
2024	6.07%	6.12%	6.12%	5.77 to 5.94%

The net retirement liability of the Group and the Parent Company is presented in the following accounts in the statements of financial position:

	Consolidated		Parent Company	
	2025	2024	2025	2024
Other assets (Note 14)	(P389)	(P155)	P-	P-
Other liabilities (Note 21)	1,782	3,246	1,671	3,144
	P1,393	P3,091	P1,671	P3,144

The defined benefit plan exposes the Group and the Parent Company to actuarial risk, such as longevity risk, interest rate risk and market (investment risk).

The fair value of plan assets by each class as at the end of the statement of financial position date are as follows:

	Consolidated		Parent Company	
	2025	2024	2025	2024
Cash and cash equivalents	P-	P3	P-	P-
Deposits in banks	213	448	-	-
Investment securities* (Note 32)	26,019	24,767	20,563	20,014
Other assets	279	330	224	271
Total assets	26,511	25,548	20,787	20,285
Total liabilities	(8)	(8)	(4)	(4)
Fair value of net plan assets	P26,503	P25,540	P20,783	P20,281

*includes debt and equity securities and unit investment trust fund and others

Changes in net defined benefit liability (asset) are as follows:

	Present Value of DBO	Fair Value of Plan Assets	Net Retirement Liability/(Asset)
Consolidated			
January 1, 2025	P28,631	P25,540	P3,091
Net benefit cost			
Current service cost	2,323	-	2,323
Net interest	1,601	1,496	105
Sub-total	3,924	1,496	2,428
Benefits paid	(2,338)	(2,338)	-
Remeasurement in OCI			
Return on plan assets (excluding amount included in net interest)	-	(1,003)	1,003
Actuarial changes arising from experience adjustments	151	-	151
Actuarial changes arising from changes in financial/demographic assumptions	(2,498)	35	(2,533)
Changes in effect of asset ceiling	-	(26)	26
Sub-total	(2,347)	(994)	(1,353)
Contributions paid	-	2,773	(2,773)
December 31, 2025	P27,870	P26,477	P1,393



Parent Company	Present Value of DBO	Fair Value of Plan Assets	Net Retirement Liability/(Asset)
January 1, 2025	₱23,425	₱20,281	₱3,144
Net benefit cost			
Current service cost	1,929	—	1,929
Net interest	1,297	1,175	122
Sub-total	3,226	1,175	2,051
Benefits paid	(1,961)	(1,961)	—
Remeasurement in OCI			
Return on plan assets (excluding amount included in net interest)	—	(999)	999
Actuarial changes arising from experience adjustments	85	—	85
Actuarial changes arising from changes in financial/demographic assumptions	(2,321)	—	(2,321)
Sub-total	(2,236)	(999)	(1,237)
Contributions paid	—	2,287	(2,287)
December 31, 2025	₱22,454	₱20,783	₱1,671

Consolidated	Present Value of DBO	Fair Value of Plan Assets	Net Retirement Liability/(Asset)
January 1, 2024	₱28,387	(₱25,689)	₱2,698
Net benefit cost			
Current service cost	2,261	—	2,261
Past service cost	18	—	18
Net interest	1,611	(1,496)	115
Sub-total	3,890	(1,496)	2,394
Benefits paid	(2,338)	2,338	—
Remeasurement in OCI			
Return on plan assets (excluding amount included in net interest)	—	(155)	(155)
Actuarial changes arising from experience adjustments	183	—	183
Actuarial changes arising from changes in financial/demographic assumptions	(1,491)	64	(1,427)
Sub-total	(1,308)	(91)	(1,399)
Contributions paid	—	(602)	(602)
December 31, 2024	₱28,631	(₱25,540)	₱3,091

Parent Company	Present Value of DBO	Fair Value of Plan Assets	Net Retirement Liability/(Asset)
January 1, 2024	₱23,410	(₱20,857)	₱2,553
Net benefit cost			
Current service cost	1,884	—	1,884
Net interest	1,322	(1,202)	120
Sub-total	3,206	(1,202)	2,004
Benefits paid	(1,948)	1,948	—
Remeasurement in OCI			
Return on plan assets (excluding amount included in net interest)	—	(170)	(170)
Actuarial changes arising from experience adjustments	156	—	156
Actuarial changes arising from changes in financial/demographic assumptions	(1,399)	—	(1,399)
Sub-total	(1,243)	(170)	(1,413)
Contributions paid	—	—	—
December 31, 2024	₱23,425	(₱20,281)	₱3,144

In 2025, 2024 and 2023, deferred tax on remeasurements on retirement plans charged to OCI amounted to ₱338.4 million, ₱630.4 million, and ₱460.0 million, respectively, for the Group, and ₱309.2 million, ₱344.1 million and ₱250.0 million, respectively, for the Parent Company (Note 28).



The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the balance of DBO as of December 31, 2025 and 2024, assuming all other assumptions were held constant:

	Parent Company	FMIC	PSBank	ORIX Metro
As of December 31, 2025				
Discount rate				
+100 basis points (bps)	(₱1,252)	(₱14)	(₱267)	(₱82)
- 100 bps	1,405	16	299	96
Salary increase rate				
+100 bps	1,359	18	318	95
- 100 bps	(1,236)	(16)	(288)	(82)
Turnover rate				
+20% of actual rate	(232)	(5)	(26)	—
-20% of actual rate	252	5	29	—
As of December 31, 2024				
Discount rate				
+100 basis points (bps)	(1,425)	(14)	(256)	(92)
-100 bps	1,611	16	287	108
Salary increase rate				
+100 bps	₱1,497	₱18	₱305	(₱110)
-100 bps	(1,359)	(16)	(276)	95
Turnover rate				
+20% of actual rate	(319)	(4)	(29)	(17)
-20% of actual rate	347	5	32	(18)

The Group and the Parent Company expect to contribute to the defined benefit retirement plans the required funding for normal cost in 2026 amounting to ₱2.6 billion.

The average duration of the DBO of the Group as of December 31, 2025 and 2024 are as follows:

	Parent Company	FMIC	PSBank	ORIX Metro
2025	8.7 years	5.63 to 11.07 years	8.65 years	7 to 9.9 years
2024	9.72 years	5.62 to 11.45 years	8.79 years	8.3 to 15.87 years

Shown below is the maturity analysis of the undiscounted benefit payments:

	Parent Company	FMIC	PSBank	ORIX Metro
As of December 31, 2025				
Less than 1 year	₱4,634	₱87	₱460	₱157
1 to less than 5 years	9,913	202	1,827	231
5 to less than 10 years	13,086	275	2,744	486
10 to less than 15 years	16,491	289	3,248	—
15 to less than 20 years	14,633	285	1,945	—
20 years and above	12,258	257	1,722	—
As of December 31, 2024				
Less than 1 year	3,471	32	352	43
1 to less than 5 years	10,947	209	1,888	293
5 to less than 10 years	12,999	181	2,501	409
10 to less than 15 years	18,427	175	2,997	926
15 to less than 20 years	16,112	155	1,925	1,251
20 years and above	20,172	129	1,714	3,698



In addition, the Parent Company has a Provident Plan which is a supplementary contributory retirement plan to and forms part of the main plan, the Retirement Plan, for the exclusive benefit of eligible employees of the Parent Company in the Philippines. Based on the provisions of the plan, upon retirement or resignation, a member shall be entitled to receive as retirement or resignation benefits 100.00% of the accumulated value of the personal contribution plus a percentage of the accumulated value arising from the Parent Company's contributions in accordance with the completed number of years serviced. The Parent Company's contribution to the Provident Fund in 2025 and 2024 amounted to ₱398.3 million and ₱364.5 million, respectively.

As of December 31, 2025 and 2024, the retirement funds of the Group's employees amounting to ₱26.5 billion and ₱25.5 billion, respectively, are being managed by its trust banking units. The Parent Company has a Trust Committee that is mandated to approve the plan, trust agreement, investment plan, including any amendments or modifications thereto, and other activities of the retirement plan. Certain members of the BOD of the Parent Company are represented in the Trust Committee.

28. Income and Other Taxes

Under Philippine tax laws, the Parent Company and its domestic subsidiaries are subject to percentage and other taxes (presented as 'Taxes and licenses' in the statements of income), as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp tax (DST). Income taxes include regular corporate income tax (RCIT) and final taxes paid on gross interest income from government securities and other deposit substitutes.

On March 26, 2021, Republic Act (RA) No. 11534, otherwise known as Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law. CREATE reduced the RCIT rate for large corporations 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 33.33% to 20.00% of the interest income subjected to final tax.

The regulations also provide for Minimum Corporate Income Tax (MCIT) of 2.00% (provided that effective July 1, 2020 until June 30, 2023, the rate shall be 1.00%) on modified gross income and allow Net Operating Loss carry-over (NOLCO). The MCIT and NOLCO may be applied against the Parent Company's and its domestic subsidiaries' income tax liability and taxable income, respectively, over a three-year period from the year of inception. RA No. 11494 or the Bayanihan to Recover as One Act (Bayanihan Act) extended the allowable carry-over period of NOLCO to the next five (5) consecutive years following the year of loss for losses incurred during the taxable years 2020 and 2021. The NOLCO for such can be carried over as deduction even after the expiration of the Bayanihan Act, provided that same are claimed within the next five (5) consecutive taxable years immediately following the year of the loss.

Current tax regulations also provide for the ceiling on the amount of EAR expense (Note 25) that can be claimed as a deduction against taxable income. Under the regulation, EAR expense allowed as a deductible expense for a service company like the Parent Company and its domestic subsidiaries is limited to the actual EAR paid or incurred but not to exceed 1.00% of net revenue.

Income derived by the FCDU from foreign currency-denominated transactions with non-residents, OBUs, local commercial banks including branches of foreign banks, is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10.00% income tax. In addition, interest income on deposit placements with other FCDUs and offshore banking units (OBUs) is taxed at 15.00%.



Following are the applicable taxes and tax rates for the foreign branches of the Parent Company:

Foreign Branches	Tax Rates
USA - New York Branch	21.00% federal income tax; state tax 6.5% in 2025 and 7.5% in 2023-2024; city tax of 9.00%; MTAs tax of 1.95% in 2025 and 2.175% in 2023-2024
Japan - Tokyo and Osaka Branches	23.20% income tax; various rates for business taxes and local business taxes
Korea - Seoul and Pusan Branches	20.90% income tax; 0.50% education tax,
Taiwan - Taipei Branch	20.00% income tax; 5.00% gross business receipts tax; 5.0% value-added tax

The provision for income tax consists of:

	Consolidated			Parent Company		
	2025	2024	2023	2025	2024	2023
Current:						
Final tax	₱10,132	₱10,854	₱9,606	₱9,537	₱9,992	₱8,315
RCIT*	3,690	6,094	4,323	2,964	5,567	3,873
MCIT	20	1	3	12	—	—
	13,842	16,949	13,932	12,513	15,559	12,188
Deferred*	1,987	(5,604)	(1,042)	1,922	(5,700)	(128)
	₱15,829	₱11,345	₱12,890	₱14,435	₱9,859	₱12,060

* Includes income taxes of foreign subsidiaries.

Components of net deferred tax assets of the Group and the Parent Company follow:

	Consolidated		Parent Company	
	2025	2024	2025	2024
Deferred tax asset on:				
Allowance for credit and impairment losses	₱12,486	₱10,465	₱10,960	₱8,662
Unamortized past service cost	1,046	1,228	883	1,026
Changes in fair market value and revaluation	(175)	4,283	(232)	4,314
Accrued expenses	850	886	832	869
Accumulated depreciation of investment properties	255	247	139	127
Retirement liability	750	1,153	436	804
Others	836	490	627	430
	16,048	18,752	13,645	16,232
Deferred tax liability on:				
Unrealized gain on initial measurement of investment properties	592	560	202	160
Leasing income differential between finance and operating lease	144	120	—	—
Retirement asset	—	29	—	—
Others	5	6	—	—
	741	715	202	160
Net deferred tax assets	₱15,307	₱18,037	₱13,443	₱16,072

In 2025 and 2024, deferred tax credited to OCI amounted to ₱686.5 million and ₱1.3 billion, respectively, for the Group, and ₱700.0 million and ₱1.1 billion, respectively, for the Parent Company.

The Parent Company and certain subsidiaries did not recognize deferred tax assets on the following temporary differences:

	Consolidated		Parent Company	
	2025	2024	2025	2024
Allowance for credit and impairment losses	₱2,096	₱2,096	₱2,096	₱2,096
NOLCO	1,176	1,066	260	899
MCIT	69	9	—	—
Others	138	135	—	—
	₱3,479	₱3,306	₱2,356	₱2,995



The Group believes that it is not reasonably probable that the tax benefits of these temporary differences will be realized in the future.

There are no income tax consequences attaching to the payment of dividends by the Group to its shareholders. There are no temporary differences arising from undistributed profits of subsidiaries, branches, associates and a JV.

Details of the excess MCIT credits of the Group and the Parent Company follow:

Inception Year	Expiry Year	Consolidated			Parent Company		
		Amount	Used/Expired	Balance	Amount	Used/Expired	Balance
2022	2025	₱3	₱3	₱—	₱—	₱—	₱—
2023	2026	4	—	4	—	—	—
2024	2027	33	—	33	—	—	—
2025	2028	69	—	69	12	—	12
		₱109	₱3	₱106	₱12	₱—	₱12

As of December 31, 2025, details of the Group and the Parent Company's NOLCO follow:

Inception Year	Expiry Year	Consolidated			Parent Company		
		Amount	Used/Expired	Balance	Amount	Used/Expired	Balance
2020	2025	₱191	₱191	₱—	₱—	₱—	₱—
2021	2026	481	477	4	210	210	—
2022	2025	810	810	—	287	287	—
2023	2026	1,818	1,216	602	1,315	1,054	261
2024	2027	459	16	443	—	—	—
2025	2028	849	—	849	486	—	486
		₱4,608	₱2,710	₱1,898	₱2,298	₱1,551	₱747

A reconciliation of the statutory income tax rates and the effective income tax rates follows:

	Consolidated			Parent Company		
	2025	2024	2023	2025	2024	2023
Statutory income tax rate	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Tax effects of:						
Tax-paid, tax-exempt and other non-taxable income	(6.83)	(7.73)	(6.83)	(6.37)	(7.66)	(6.16)
Non-deductible expense	3.57	4.14	4.04	3.47	4.00	3.59
FCDU income	(2.37)	(1.00)	(0.90)	(2.44)	(1.07)	(0.95)
Change in unrecognized deferred tax assets	1.34	(4.79)	(1.32)	1.42	(4.87)	—
Others - net	3.11	3.10	3.09	1.42	1.58	0.73
Effective income tax rate	23.82%	18.72%	23.08%	22.50%	16.98%	22.21%

29. Trust Operations

Properties held by the Parent Company and PSBank in fiduciary or agency capacity for their customers are not included in the accompanying statements of financial position since these are not their resources.



In compliance with current banking regulations relative to the Parent Company and PSBank's trust functions, the following are the carrying values of the government securities deposited with the BSP:

	Consolidated		Parent Company	
	2025	2024	2025	2024
Investment securities at amortized cost	₱7,663	₱7,610	₱7,663	₱7,610
Investment securities at FVOCI	120	120	—	—
	₱7,783	₱7,730	₱7,663	₱7,610

30. Commitments and Contingent Liabilities

In the normal course of the Group's operations, there are various outstanding commitments and contingent liabilities which are not reflected in the accompanying financial statements. No material losses are anticipated as a result of these transactions. The summary of contingencies and commitments at their peso-equivalent contractual amounts arising from off-balance sheet items follows:

	Consolidated		Parent Company	
	2025	2024	2025	2024
Derivatives	₱1,487,567	₱1,506,378	₱1,419,591	₱1,471,890
Trust department accounts	955,848	581,367	938,889	565,936
Commitments	508,521	393,304	508,491	393,244
Performance standby letters of credit	60,546	41,320	60,546	41,300
Spot foreign exchange contracts	48,017	52,588	47,929	52,559
Commercial letters of credit	29,397	30,284	9,570	16,140
Guarantees issued	26,789	20,829	25,528	20,829
Trade related guarantees	604	923	604	923
Others	42,193	33,936	12,855	10,568
	₱3,159,482	₱2,660,929	₱3,024,003	₱2,573,389

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

31. Earnings per Share

The basis of calculation for earnings per share attributable to equity holdings of the Parent Company follows (amounts in millions, except for earnings per share):

	2025	2024	2023
a. Net income attributable to equity holders of the Parent Company	₱49,720	₱48,137	₱42,238
b. Weighted average number of outstanding common shares of the Parent Company	4,497	4,496	4,496
c. Basic/diluted earnings per share (a/b)	₱11.06	₱10.71	₱9.39

32. 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 or if they are subjected to common control or common significant influence such as



subsidiaries and associates of subsidiaries or other related parties. Related parties may be individuals or corporate entities and are classified as entities with significant influence, subsidiaries, associates, other related parties and key personnel (Notes 2 and 11).

The Group has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties. These transactions also did not involve more than the normal risk of collectibility and did not present other unfavorable conditions.

The Parent Company has Related Party Transactions Committee (RPTC) and a Related Party Transactions Management Committee (RPTMC), both of which are created to assist the BOD in ensuring that transactions with related parties are reviewed to assess risks and are subjected to appropriate restrictions to ensure that these are conducted at arm's-length terms and that corporate or business resources of the Parent Company are not misappropriated or misapplied. After appropriate review, RPTMC (through RPTC) and RPTC disclose all information and endorses to the BOD with recommendations, the proposed related party transactions. The members of the RPTC are appointed annually by the BOD, composed of at least three (3) Board non-executive members, two (2) of whom should be independent directors, including the Chairman. Currently, RPTC is composed of three (3) independent directors (including the Committee's Chairman); the head of Internal Audit Group (as Resource Person); and the Compliance Officer (as the Committee Secretary) and meets monthly or as the need arises. On the other hand, RPTMC members are appointed annually by the President, currently composed of seven (7) members. RPTC's review of the proposed related party transactions considers the following:

- a. Identity and relationship of the parties involved in the transaction;
- b. Terms of the transaction and whether these are no less favorable than terms generally available to an unrelated third party under the same circumstances;
- c. Business purpose, timing, rationale and benefits of the transaction;
- d. Approximate monetary value of the transaction and the approximate monetary value of the related party's interest in the transaction;
- e. Valuation methodology used and alternative approaches to valuation of the transaction;
- f. Information concerning potential counterparties in the transaction;
- g. Description of provisions or limitations imposed as a result of entering into the transaction;
- h. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the transaction;
- i. Impact to a director's independence;
- j. Extent that such transaction or relationship would present an improper conflict of interest; and
- k. The availability of other sources of comparable products or services.

The Group established policies and procedures on related party transactions in accordance with the regulations of the BSP and SEC. All related party transactions, exceeding the established materiality thresholds, must undergo prior review by the RPTC before being endorsed to the BOD for approval.

Material related party transactions, either individually or in aggregate over a twelve-month period with the same party, amounting to ten percent (10.00%) or more of the Bank's total consolidated assets, require the evaluation of an appointed external independent party and approval by at least a two-thirds vote of the BOD, with at least a majority of the independent directors.

The committees ensured that all related party transactions for the financial year are conducted in fair and at arm's-length terms.



Further, no director or officer participates in any discussion of a related party transaction for which he, she, or any member of his or her immediate family is a related party, including transactions of subordinates, except in order to provide material information on such related party transaction to RPTC.

Major subsidiaries, which include FMIC, PSBank, and MBCL, have their own respective RPTCs which assist their respective BODs in ensuring that transactions with related parties are reviewed to assess risks and are subjected to appropriate restrictions to ensure that these are conducted at arm's-length terms and that their corporate or business resources are not misappropriated or misapplied.

Details on significant related party transactions of the Group and the Parent Company follow (transactions with subsidiaries have been eliminated in the consolidated financial statements):

Category	Consolidated	
	Amount	Terms and Conditions/Nature
2025		
Entity with Significant Influence Over the Group		
<u>Outstanding Balance:</u>		
Deposit liabilities*	₱239	With annual fixed interest rates ranging from 0.05% to 3.75%, including time deposits with maturity terms ranging from 31 to 32 days (Note 16)
<u>Amount/Volume:</u>		
Deposit liabilities	(1,035)	Generally similar to terms and conditions above
Interest expense	16	Interest expense on deposit liabilities (Note 16)
Subsidiaries		
<u>Outstanding Balance:</u>		
Receivables from customers*	4,629	Secured - ₱318.7 million, unsecured - ₱4,310.0 million with ECL of ₱19.2 million; With annual fixed interest rates at 4.8% to 5.0% and maturity terms ranging from 31 to 181 days (Note 9)
Accounts receivable	3,232	Non-interest bearing receivables on ATM, remittance and rental fees (Note 9)
Deposit liabilities*	6,407	With annual fixed interest rates ranging from 0.05% to 5.20% including time deposits with maturity terms ranging from 4 to 63 days (Note 16)
Bills Payable	9,825	Peso borrowing subject to annual fixed interest rate of 4.59% with maturity term of 4 days
<u>Amount/Volume:</u>		
Interbank loans receivable	(2,161)	Generally similar to terms and conditions above
Receivables from customers	1,014	Generally similar to terms and conditions above
Accounts receivable	3,067	Generally similar to terms and conditions above
Deposit liabilities	(762)	Generally similar to terms and conditions above
Bills Payable	9,825	Generally similar to terms and conditions above
Interest income	144	Interest income on receivables from customers and interbank loan receivables (Notes 7 and 9)
Service charges, fees and commissions	4	Income on transactional fees
Trading and securities gain - net	3	Net gain from securities transactions (Note 8)
Foreign exchange loss - net	(4,076)	Net loss from foreign exchange transactions
Leasing income	19	Income from leasing agreements with various lease terms
Miscellaneous income	226	Information technology, internal audit fees and other fees (Note 25)
Interest expense	394	Interest expense on deposit liabilities and bills payable (Note 16 and 17)
Securities transactions		
Purchases	32,773	Outright purchases of investment securities at FVTPL and FVOCI
Sales	20,387	Outright sale of investment securities at FVTPL
Foreign currency		
Buy	10,317	Outright purchases of foreign currency
Sell	4,507	Outright sale of foreign currency
Associates		
<u>Outstanding Balance:</u>		
Receivables from customers	₱1,408	Unsecured, with ECL of ₱2.7 million; With annual fixed interest rates ranging from 4.6% to 5.33% and maturity terms ranging from 91 days to 2 years (Note 9)
Accounts Receivable	1	Non Interest bearing receivable on rental fees
Deposit liabilities*	2,185	With annual fixed interest rates ranging from 0.05% to 4.38% including time deposits with maturity terms ranging from 30 to 32 days (Note 16)
<u>Amount/Volume:</u>		
Receivables from customers	152	Generally similar to terms and conditions above
Accounts Receivable	1	Generally similar to terms and conditions above
Deposit liabilities	553	Generally similar to terms and conditions above



Category	Consolidated	
	Amount	Terms and Conditions/Nature
Interest Income	72	Interest income on receivables from customers (Note 9)
Trading and securities gain - net	10	Net gain from securities transactions (Note 8)
Foreign exchange gain- net	6	Net gain from foreign exchange transactions
Leasing income	20	Income from leasing agreements with various lease terms
Interest expense	35	Interest expense on deposit liabilities (Note 16)
Securities transactions		
Outright purchases	886	Outright purchases of FVTPL securities
Outright sales	3,482	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	94	Outright purchases of foreign currency
Sell	1,823	Outright sale of foreign currency
Other Related Parties		
<u>Outstanding Balance:</u>		
Receivables from customers*	46,118	Secured - ₱5.6 billion, unsecured - ₱40.5 billion with ECL of ₱101.9 million. With annual fixed interest rates ranging from 4.25% to 7.62% and maturity terms ranging from 4 days to 5 years. (Note 9)
Assets held under joint operations	114	Parcels of land and former branch sites of the Parent Company contributed to joint operations. (Note 14)
Deposit liabilities*	19,584	With annual fixed interest rates ranging from 0.05% to 4.75% including time deposits with maturity terms ranging from 4 to 350 days (Note 16)
<u>Amount/Volume:</u>		
Receivables from customers	5,009	Generally similar to terms and conditions above
Deposit liabilities	3,267	Generally similar to terms and conditions above
Interest income	2,350	Interest income on receivables from customers (Note 9)
Foreign exchange loss - net	(32)	Net loss from foreign exchange transactions
Leasing income	9	Income from leasing agreements with various lease terms
Interest expense	852	Interest expense on deposit liabilities (Note 16)
Lease payments	285	Payments for leasing agreements with various lease terms
Contingent		
Unused commercial LCs	31	LC transactions with various terms
Others	2	Bank guaranty with indemnity agreement
Securities transactions		
Outright Purchases	822	Outright purchases of investment securities at FVTPL
Outright Sales	1,398	Outright sale of investment securities at FVTPL
Foreign currency		
Buy	825	Outright purchases of foreign currency
Sell	162,044	Outright sale of foreign currency
Key Personnel		
<u>Outstanding Balance:</u>		
Receivables from customers	₱136	Secured - ₱104.7 million, unsecured - ₱31.7 million, no impairment; With annual fixed interest rates ranging from 6.00% to 9.00% and maturity terms from 2 to 16 years (Note 9)
Deposit liabilities	497	With various terms and minimum annual interest rate of 0.05% (Note 16)
<u>Amount/Volume:</u>		
Receivables from customers	(12)	Generally similar to terms and conditions above
Deposit liabilities	(333)	Generally similar to terms and conditions above
Interest income	3	Interest income on receivables from customers (Note 9)
2024		
Entity with Significant Influence Over the Group		
<u>Outstanding Balance:</u>		
Deposit liabilities*	₱1,274	With annual fixed interest rates ranging from 0.05% to 5.25%, including time deposits with maturity terms ranging from 30 to 63 days (Note 16)
<u>Amount/Volume:</u>		
Deposit liabilities	(1,257)	Generally similar to terms and conditions above
Interest expense	31	Interest expense on deposit liabilities (Note 16)
Subsidiaries		
<u>Outstanding Balance:</u>		
Interbank loans receivable*	₱2,161	Foreign currency-denominated lending which earn annual fixed interest rates ranging from 2.1% to 3.0% with maturity terms from 9 to 14 days with minimal expected credit loss (Note 7)
Receivables from customers*	3,615	Secured - ₱495.6 million, unsecured - ₱3.1 billion with ECL of ₱11.7 million; With annual fixed interest rates at 5.40% and maturity terms ranging from 6 to 350 days (Note 9)
Accounts receivable	165	Non-interest bearing receivables on ATM, remittance and rental fees (Note 9)
Other receivables	32	Non-interest bearing receivables on rental fees (Note 9)
Deposit liabilities*	7,169	With annual fixed interest rates ranging from 0.05% to 6.13% including time deposits with maturity terms ranging from 6 to 90 days (Note 16)

(Forward)



Category	Consolidated	
	Amount	Terms and Conditions/Nature
<u>Amount/Volume:</u>		
Interbank loans receivable	(P6,480)	Generally similar to terms and conditions above
Receivables from customers	1,896	Generally similar to terms and conditions above
Accounts receivable	(5)	Generally similar to terms and conditions above
Deposit liabilities	1,330	Generally similar to terms and conditions above
Interest income	119	Interest income on receivables from customers and interbank loan receivables (Notes 7 and 9)
Service charges, fees and commissions	25	Income on transactional fees
Trading and securities gain - net	607	Net gain from securities transactions (Note 8)
Foreign exchange loss - net	(17)	Net loss from foreign exchange transactions
Leasing income	9	Income from leasing agreements with various lease terms
Miscellaneous income	191	Information technology services and other fees (Note 25)
Interest expense	235	Interest expense on deposit liabilities and bills payable (Note 16 and 17)
Securities transactions		
Purchases	21,967	Outright purchases of investment securities at FVTPL and FVOCI
Sales	39,840	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	4,878	Outright purchases of foreign currency
Sell	14,121	Outright sale of foreign currency
<u>Associates</u>		
<u>Outstanding Balance:</u>		
Receivables from customers	P1,256	Unsecured, with ECL of P5.3 million; With annual fixed interest rates ranging from 5.65% to 6.55% and maturity terms ranging from 64 to 730 days (Note 9)
Deposit liabilities*	1,632	With annual fixed interest rates ranging from 0.05% to 5.00% including time deposits with maturity terms ranging from 41 to 45 days (Note 16)
<u>Amount/Volume:</u>		
Receivables from customers	(775)	Generally similar to terms and conditions above
Deposit liabilities	(1,614)	Generally similar to terms and conditions above
Interest Income	122	Interest income on receivables from customers (Note 9)
Trading and securities gain - net	49	Net gain from securities transactions (Note 8)
Foreign exchange gain- net	5	Net gain from foreign exchange transactions
Leasing income	21	Income from leasing agreements with various lease terms
Interest expense	3	Interest expense on deposit liabilities (Note 16)
Securities transactions		
Outright purchases	2,476	Outright purchases of FVTPL securities and FVOCI investments
Outright sales	6,528	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	500	Outright purchases of foreign currency
Sell	1,542	Outright sale of foreign currency
<u>Other Related Parties</u>		
<u>Outstanding Balance:</u>		
Receivables from customers*	P41,109	Secured - P6.2 billion, unsecured - P34.6 billion with ECL of P249.5 million, annual fixed interest rates ranging from 4.15% to 7.89% and maturity terms ranging from 6 days to 5 years. (Note 9)
Assets held under joint operations	137	Parcels of land and former branch sites of the Parent Company contributed to joint operations. (Note 14)
Deposit liabilities*	16,317	With annual fixed interest rates ranging from 0.05% to 5.75% including time deposits with maturity terms ranging from 6 to 364 days (Note 16)
<u>Amount/Volume:</u>		
Receivables from customers	3,211	Generally similar to terms and conditions above
Deposit liabilities	(1,203)	Generally similar to terms and conditions above
Interest income	2,193	Interest income on receivables from customers (Note 9)
Foreign exchange loss - net	(111)	Net loss from foreign exchange transactions
Leasing income	12	Income from leasing agreements with various lease terms
Interest expense	357	Interest expense on deposit liabilities (Note 16)
Lease payments	265	Payments for leasing agreements with various lease terms.
Contingent		
Unused commercial LCs	55	LC transactions with various terms
Others	1	Bank guaranty with indemnity agreement
Securities transactions		
Outright Purchases	326	Outright purchases of investment securities at FVTPL
Outright Sales	939	Outright sale of investment securities at FVTPL
Foreign currency		
Buy	855	Outright purchases of foreign currency
Sell	147,913	Outright sale of foreign currency



Category	Consolidated	
	Amount	Terms and Conditions/Nature
Key Personnel		
<u>Outstanding Balance:</u>		
Receivables from customers	₱148	Secured - ₱117.6 million, unsecured - ₱30.6 million, no impairment; With annual fixed interest rates ranging from 6.00% to 9.00% and maturity terms from 1 to 16 years (Note 9)
Deposit liabilities	830	With various terms and minimum annual interest rate of 0.05% (Note 16)
<u>Amount/Volume:</u>		
Deposit liabilities	232	Generally similar to terms and conditions above
Interest income	4	Interest income on receivables from customers (Note 9)
2023		
Entity with Significant Influence Over the Group		
<u>Outstanding Balance:</u>		
Deposit liabilities*	₱2,531	With annual fixed interest rates ranging from 0.05% to 5.00%, including time deposits with maturity terms ranging from 19 to 30 days (Note 16)
<u>Amount/Volume:</u>		
Deposit liabilities	(6,514)	Generally similar to terms and conditions above
Interest expense	59	Interest expense on deposit liabilities (Note 16)
Securities transactions		
Sales	29	Outright sale of FVTPL
Subsidiaries		
<u>Outstanding Balance:</u>		
Interbank loans receivable*	₱8,641	Foreign currency-denominated lending which earn annual fixed interest rates ranging from 3.51% to 6.25% with maturity terms from 8 to 153 days (Note 7)
Receivables from customers*	1,719	Unsecured, with ECL of ₱7.1 million; With annual fixed interest rates ranging from 0.00% to 6.45% and maturity terms ranging from 4 to 240 days (Note 9)
Accounts receivable	170	Non-interest bearing receivables on remittance and rental fees (Note 9)
Other receivables	8	Non-interest bearing receivables on rental fees (Note 9)
Deposit liabilities*	5,839	With annual fixed interest rates ranging from 0.05% to 5.96% including time deposits with maturity terms ranging from 4 to 91 days (Note 16)
Treasury stock	70	Parent Company's shares held by FMIC's mutual fund subsidiary (Note 23)
<u>Amount/Volume:</u>		
Interbank loans receivable	(2,565)	Generally similar to terms and conditions above
Receivables from customers	(1,618)	Generally similar to terms and conditions above
Accounts receivable	(50)	Generally similar to terms and conditions above
Deposit liabilities	(152)	Generally similar to terms and conditions above
Interest income	401	Interest income on receivables from customers and interbank loan receivables (Notes 7 and 9)
Service charges, fees and commissions	29	Income on transactional fees
Trading and securities gain - net	1,002	Net gain from securities transactions (Note 8)
Foreign exchange gain - net	(13)	Net gain from foreign exchange transactions
Leasing income	12	Income from leasing agreements with various lease terms
Miscellaneous income	171	Information technology services and other fees (Note 25)
Interest expense	272	Interest expense on deposit liabilities and bills payable (Note 16 and 17)
Securities transactions		
Purchases	43,789	Outright purchases of investment securities at FVTPL and FVOCI
Sales	77,931	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	6,181	Outright purchases of foreign currency
Sell	11,052	Outright sale of foreign currency

(Forward)



Category	Consolidated	
	Amount	Terms and Conditions/Nature
Associates		
Outstanding Balance:		
Receivables from customers	₱2,031	Unsecured, with ECL of ₱9.4 million; With annual fixed interest rates ranging from 6.30% to 6.55% and maturity terms ranging from 183 to 730 days (Note 9)
Deposit liabilities*	2,699	With annual fixed interest rates ranging from 0.05% to 5.13% including time deposits with maturity terms ranging from 32 to 45 days (Note 16)
Amount/Volume:		
Receivables from customers	1,324	Generally similar to terms and conditions above
Deposit liabilities	1,169	Generally similar to terms and conditions above
Interest Income	91	Interest income on receivables from customers (Note 9)
Trading and securities gain - net	69	Net gain from securities transactions (Note 8)
Foreign exchange gain- net	4	Net gain from foreign exchange transactions
Leasing income	2	Income from leasing agreements with various lease terms
Interest expense	1	Interest expense on deposit liabilities
Securities transactions		
Outright purchases	2,460	Outright purchases of FVTPL securities and FVOCI investments
Outright sales	7,024	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	311	Outright purchases of foreign currency
Sell	1,197	Outright sale of foreign currency
Other Related Parties		
Outstanding Balance:		
Receivables from customers*	₱37,898	Unsecured with ECL of ₱192.2 million, annual fixed interest rates ranging from 3.20% to 7.37% and maturity terms ranging from 9 days to 5 years.
Assets held under joint operations	219	Parcels of land and former branch sites of the Parent Company contributed to joint operations. (Note 14)
Deposit liabilities*	17,520	With annual fixed interest rates ranging from 0.05% to 6.00% including time deposits with maturity terms ranging from 4 to 360 days (Note 16)
Amount/Volume:		
Receivables from customers	3,265	Generally similar to terms and conditions above
Deposit liabilities	(13,618)	Generally similar to terms and conditions above
Interest income	2,112	Interest income on receivables from customers (Note 9)
Foreign exchange gain - net	159	Net gain from foreign exchange transactions
Profits from assets sold	1,299	Gain on sale of ropa
Interest expense	65	Interest expense on deposit liabilities (Note 16)
Lease payments	249	Payments for leasing agreements with various lease terms.
Securities transactions		
Outright Purchases	225	Outright purchases of investment securities at FVTPL
Outright Sales	1,332	Outright sale of investment securities at FVTPL
Foreign currency		
Buy	6,852	Outright purchases of foreign currency
Sell	129,951	Outright sale of foreign currency
Key Personnel		
Outstanding Balance:		
Receivables from customers	₱139	Secured - ₱108.4 million, unsecured - ₱30.6 million, no impairment; With annual fixed interest rates ranging from 0.00% to 9.00% and maturity terms from 1 to 19 years (Note 9)
Deposit liabilities	397	With various terms and minimum annual interest rate of 0.05% (Note 16)
Amount Volume:		
Deposit liabilities	65	Generally similar to terms and conditions above
Interest income	4	Interest income on receivables from customers (Note 9)

* Includes accrued interest



Category	Parent Company	
	Amount	Terms and Conditions/Nature
2025		
Entities with Significant Influence		
<u>Outstanding Balance:</u>		
Deposit liabilities*	₱168	With annual fixed interest rate ranging from 0.05% to 3.75% including time deposits with maturity terms ranging from 31 to 32 days (Note 16)
<u>Amount/Volume:</u>		
Deposit liabilities	(1,106)	Generally similar to terms and conditions above
Interest expense	10	Interest expense on deposit liabilities (Note 16)
Subsidiaries		
<u>Outstanding Balance:</u>		
Receivables from customers*	₱4,629	Secured – ₱319 million, unsecured – ₱4,310 million, with ECL of ₱19.2 million; With annual fixed interest rates ranging of 4.8% to 5.0% and maturity terms ranging from 31 to 181 days (Note 9)
Accounts receivable	38	Non-interest bearing receivables on ATM, remittance and rental fees (Note 9)
Deposit liabilities*	5,840	With annual fixed interest rates ranging from 0.05% to 5.20% including time deposits with maturity terms ranging from 4 to 63 days (Note 16)
Bills payable*	5,544	Peso borrowing subject to annual fixed interest rate of 4.59% with maturity term of 4 days
<u>Amount/Volume:</u>		
Interbank loans receivable	(2,161)	Generally similar to terms and conditions above
Receivables from customers	1,014	Generally similar to terms and conditions above
Accounts receivable	(58)	Generally similar to terms and conditions above
Deposit liabilities	(599)	Generally similar to terms and conditions above
Interest income	144	Interest income on receivables from customers and interbank loans receivables (Note 7 and 9)
Service charges, fees and commissions	2	Income from transactional fees
Trading and securities gain - net	3	Net gain from securities transactions (Note 8)
Foreign exchange loss - net	(4,076)	Net loss from foreign exchange transactions
Leasing income	10	Income from leasing agreements with various lease terms
Miscellaneous income	226	Information technology services and other fees (Note 25)
Interest expense	394	Interest expense on deposit liabilities (Note 16)
Securities transactions		
Purchases	32,773	Outright purchases of investment securities at FVTPL and FVOCI
Sales	20,387	Outright sale of investment securities at FVTPL
Foreign currency		
Buy	10,317	Outright purchases of foreign currency
Sell	4,507	Outright sale of foreign currency
Associates		
<u>Outstanding Balance:</u>		
Receivables from customers	₱1,408	Unsecured, with ECL of ₱2.7 million; With annual fixed interest rates ranging from 4.6% to 5.33% and maturity terms ranging from 91 days to 2 years (Note 9)
Deposit liabilities*	1,607	With annual fixed interest rates ranging from 0.05% to 4.38% including time deposits with maturity terms from 30 to 32 days (Note 16)
<u>Amount/Volume:</u>		
Receivables from customers	152	Generally similar to terms and conditions above
Deposit liabilities	(11)	Generally similar to terms and conditions above
Interest Income	72	Interest income on receivables from customers
Trading and securities gain - net	10	Net gain from securities transactions (Note 8)
Foreign exchange gain - net	6	Net gain from foreign exchange transactions
Leasing income	1	Income from leasing agreements with various lease terms
Interest expense	3	Interest expense on deposit liabilities (Note 16)
Securities transactions		
Outright purchases	886	Outright purchases of FVTPL securities
Outright sales	3,482	Outright sale of investment securities at FVTPL and FVOCI

(Forward)



Category	Parent Company	
	Amount	Terms and Conditions/Nature
Foreign currency		
Buy	₱94	Outright purchase of foreign currency
Sell	1,823	Outright sale of foreign currency
Other Related Parties		
<u>Outstanding Balance:</u>		
Receivables from customers*	₱46,118	Secured – ₱5.6 billion, unsecured – ₱40.5 billion, with ECL of ₱101.9 million. With annual fixed interest rates ranging from 4.25% to 7.62% and maturity terms ranging from 4 days to 5 years (Note 9)
Assets held under joint operations	114	Parcels of land and former branch sites of the Parent Company contributed to joint operations (Note 14)
Deposit liabilities*	16,284	With annual fixed interest rates ranging from 0.05% to 4.75% including time deposits with maturity terms ranging from 4 to 350 days (Note 16)
<u>Amount/Volume:</u>		
Receivables from customers	5,009	Generally similar to terms and conditions above
Deposit liabilities	(33)	Generally similar to terms and conditions above
Interest income	2,350	Interest income on receivables from customers (Note 9)
Foreign exchange loss - net	(32)	Net loss from foreign exchange transactions
Interest expense	540	Interest expense on deposit liabilities (Note 16)
Lease Payments	285	Payments for leasing agreements with various lease terms
Contingent		
Unused commercial LCs	31	LC transactions with various terms
Others	1	Bank guaranty with indemnity agreement
Securities transactions		
Outright purchases	822	Outright purchases of FVTPL securities
Sales	1,398	Outright sale of investment securities at FVTPL
Foreign currency		
Buy	825	Outright purchases of foreign currency
Sell	162,044	Outright sale of foreign currency
Key Personnel		
<u>Outstanding Balance:</u>		
Receivables from customers	₱110	Secured - ₱93.6 million and unsecured - ₱16.4 million, no impairment; With annual fixed interest rates ranging from 6.00% to 9.00% and maturity terms from 5 to 16 years (Note 9)
Deposit liabilities	286	With various terms and minimum annual interest rate of 0.05% (Note 16)
<u>Amount/Volume:</u>		
Receivables from customers	(24)	Generally similar to terms and conditions above
Deposit liabilities	(132)	Generally similar to terms and conditions above
Interest income	1	Interest income on receivables from customers (Note 9)
2024		
Entities with Significant Influence		
<u>Outstanding Balance:</u>		
Deposit liabilities*	₱1,274	With annual fixed interest rate ranging from 0.05% to 5.25% including time deposits with maturity terms ranging from 30 to 63 days (Note 16)
<u>Amount/Volume:</u>		
Deposit liabilities	(1,257)	Generally similar to terms and conditions above
Interest expense	31	Interest expense on deposit liabilities (Note 16)
Subsidiaries		
<u>Outstanding Balance:</u>		
Interbank loans receivable*	₱2,161	Foreign currency-denominated lending which earn annual fixed interest rates ranging from 2.1% to 3.0% with maturity terms from 9 to 14 days with minimal expected credit loss (Note 7)
Receivables from customers*	3,615	Secured - ₱495.6 million, unsecured - ₱3,118.9 million, with ECL of ₱11.7 million; With annual fixed interest rates of 5.40% and maturity terms ranging from 6 to 350 days (Note 9)
Accounts receivable	96	Non-interest bearing receivables on ATM, remittance and rental fees (Note 9)
Other receivables	32	Non-interest bearing receivables on rental fees (Note 9)
Deposit liabilities*	6,439	With annual fixed interest rates ranging from 0.05% to 6.13% including time deposits with maturity terms ranging from 6 to 90 days (Note 16)

(Forward)



Category	Parent Company	
	Amount	Terms and Conditions/Nature
<u>Amount/Volume:</u>		
Interbank loans receivable	(P6,480)	Generally similar to terms and conditions above
Receivables from customers	1,896	Generally similar to terms and conditions above
Accounts receivable	3	Generally similar to terms and conditions above
Deposit liabilities	1,724	Generally similar to terms and conditions above
Interest income	119	Interest income on receivables from customers and interbank loans receivables (Note 7 and 9)
Service charges, fees and commissions	25	Income from transactional fees
Trading and securities gain - net	593	Net gain from securities transactions (Note 8)
Foreign exchange loss - net	(17)	Net loss from foreign exchange transactions
Leasing income	9	Income from leasing agreements with various lease terms
Miscellaneous income	191	Information technology services and other fees (Note 25)
Interest expense	235	Interest expense on deposit liabilities (Note 16)
Securities transactions		
Purchases	21,789	Outright purchases of investment securities at FVTPL and FVOCI
Sales	39,322	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	4,878	Outright purchases of foreign currency
Sell	14,121	Outright sale of foreign currency
<u>Associates</u>		
<u>Outstanding Balance:</u>		
Receivables from customers	P1,256	Unsecured, with ECL of P5.3 million; With annual fixed interest rates ranging from 5.65% to 6.55% and maturity terms ranging from 64 to 730 days (Note 9)
Deposit liabilities*	1,618	With annual fixed interest rates ranging from 0.05% to 5.00% including time deposits with maturity terms from 41 to 45 days (Note 16)
<u>Amount/Volume:</u>		
Receivables from customers	(775)	Generally similar to terms and conditions above
Deposit liabilities	(1,081)	Generally similar to terms and conditions above
Interest Income	122	Interest income on receivables from customers
Trading and securities gain - net	49	Net gain from securities transactions (Note 8)
Foreign exchange gain - net	5	Net gain from foreign exchange transactions
Leasing income	2	Income from leasing agreements with various lease terms
Interest expense	4	Interest expense on deposit liabilities (Note 16)
Securities transactions		
Outright purchases	2,118	Outright purchases of HFT securities and AFS investments
Outright sales	5,620	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	500	Outright purchase of foreign currency
Sell	1,542	Outright sale of foreign currency
<u>Other Related Parties</u>		
<u>Outstanding Balance:</u>		
Receivables from customers*	P41,109	Secured – P6.2 billion, unsecured – P34.7 billion, with ECL of P249.5 million. With annual fixed interest rates ranging from 4.15% to 7.89% and maturity terms ranging from 6 days to 5 years (Note 9)
Assets held under joint operations	137	Parcels of land and former branch sites of the Parent Company contributed to joint operations (Note 14)
Deposit liabilities*	16,317	With annual fixed interest rates ranging from 0.05% to 5.75% including time deposits with maturity terms ranging from 6 to 364 days (Note 16)
<u>Amount/Volume:</u>		
Receivables from customers	3,211	Generally similar to terms and conditions above
Deposit liabilities	(1,203)	Generally similar to terms and conditions above
Interest income	2,193	Interest income on receivables from customers (Note 9)
Foreign exchange loss - net	(111)	Net loss from foreign exchange transactions
Interest expense	357	Interest expense on deposit liabilities (Note 16)
Lease Payments	265	Payments for leasing agreements with various lease terms
Contingent		
Unused commercial LCs	55	LC transactions with various terms
Others	1	Bank guaranty with indemnity agreement
Securities transactions		
Outright purchases	326	Outright purchases of FVTPL securities and FVOCI investments
Sales	332	Outright sale of investment securities at FVTPL and FVOCI

(Forward)



Category	Parent Company	
	Amount	Terms and Conditions/Nature
Foreign currency		
Buy	₱855	Outright purchases of foreign currency
Sell	147,913	Outright sale of foreign currency
Key Personnel		
<u>Outstanding Balance:</u>		
Receivables from customers	₱134	Secured - ₱117.1 million and unsecured - ₱16.5 million, no impairment; With annual fixed interest rates ranging from 6.00% to 9.00% and maturity terms from 5 to 16 years (Note 9)
Deposit liabilities	418	With various terms and minimum annual interest rate of 0.00% (Note 16)
<u>Amount/Volume:</u>		
Receivables from customers	10	Generally similar to terms and conditions above
Deposit liabilities	21	Generally similar to terms and conditions above
Interest income	3	Interest income on receivables from customers (Note 9)
2023		
Entities with Significant Influence		
<u>Outstanding Balance:</u>		
Deposit liabilities*	₱2,531	With annual fixed interest rate ranging from 0.05% to 5.00% including time deposits with maturity terms ranging from 19 to 30 days (Note 16)
<u>Amount/Volume:</u>		
Deposit liabilities	(6,514)	Generally similar to terms and conditions above
Interest expense	59	Interest expense on deposit liabilities (Note 16)
Subsidiaries		
<u>Outstanding Balance:</u>		
Interbank loans receivable*	₱8,641	Foreign currency-denominated lending which earn annual fixed interest rates ranging from 3.51% to 5.05% with maturity terms from 31 to 243 days with minimal expected credit loss (Note 7)
Receivables from customers*	1,719	Unsecured, with ECL of ₱7.1 million; With annual fixed interest rates ranging from 0.00% to 6.45% and maturity terms ranging from 4 to 240 days (Note 9)
Accounts receivable	93	Non-interest bearing receivables on remittance and rental fees (Note 9)
Other receivables	8	Non-interest bearing receivables on remittance (Note 9)
Deposit liabilities*	4,715	With annual fixed interest rates ranging from 0.05% to 5.96% including time deposits with maturity terms ranging from 4 to 91 days (Note 16)
Treasury stock	70	Parent Company's shares held by FMIC's mutual fund subsidiary (Note 23)
<u>Amount/Volume:</u>		
Interbank loans receivable	(2,565)	Generally similar to terms and conditions above
Receivables from customers	(1,618)	Generally similar to terms and conditions above
Accounts receivable	(91)	Generally similar to terms and conditions above
Deposit liabilities	(1,276)	Generally similar to terms and conditions above
Interest income	401	Interest income on receivables from customers and interbank loans receivables (Note 7 and 9)
Service charges, fees and commissions	1	Income from transactional fees
Trading and securities gain - net	998	Net gain from securities transactions (Note 8)
Foreign exchange loss - net	(13)	Net loss from foreign exchange transactions
Leasing income	8	Income from leasing agreements with various lease terms
Miscellaneous income	170	Information technology services and other fees (Note 25)
Interest expense	125	Interest expense on deposit liabilities (Note 16)
Securities transactions		
Purchases	43,656	Outright purchases of investment securities at FVTPL and FVOCI
Sales	77,497	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	6,181	Outright purchases of foreign currency
Sell	11,052	Outright sale of foreign currency



Category	Parent Companies	
	Amount	Terms and Conditions/Nature
Associates		
<u>Outstanding Balance:</u>		
Receivables from customers	₱2,031	Unsecured, with ECL of ₱9.4 million; With annual fixed interest rates ranging from 6.30% to 6.55% and maturity terms ranging from 183 to 730 days (Note 9)
Deposit liabilities*	2,699	With annual fixed interest rates ranging from 0.05% to 5.13% including time deposits with maturity terms from 32 to 45 days (Note 16)
<u>Amount/Volume:</u>		
Receivables from customers	1,324	Generally similar to terms and conditions above
Deposit liabilities	741	Generally similar to terms and conditions above
Interest Income	91	Interest income on receivables from customers
Trading and securities gain - net	69	Net gain from securities transactions (Note 8)
Foreign exchange gain - net	4	Net gain from foreign exchange transactions
Leasing income	2	Income from leasing agreements with various lease terms
Interest expense	1	Interest expense on deposit liabilities (Note 16)
Securities transactions		
Outright purchases	2,350	Outright purchases of HFT securities and AFS investments
Outright sales	3,446	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	311	Outright purchase of foreign currency
Sell	1,197	Outright sale of foreign currency
Other Related Parties		
<u>Outstanding Balance:</u>		
Receivables from customers*	₱37,898	Unsecured, with ECL of ₱192.2 million. With annual fixed interest rates ranging from 3.20% to 7.37% and maturity terms ranging from 9 days to 5 years (Note 9)
Assets held under joint operations	219	Parcels of land and former branch sites of the Parent Company contributed to joint operations (Note 14)
Deposit liabilities*	17,520	With annual fixed interest rates ranging from 0.05% to 6.00% including time deposits with maturity terms ranging from 5 to 360 days (Note 16)
<u>Amount/Volume:</u>		
Receivables from customers	3,265	Generally similar to terms and conditions above
Deposit liabilities	(11,212)	Generally similar to terms and conditions above
Interest income	2,112	Interest income on receivables from customers (Note 9)
Foreign exchange gain - net	159	Net gain from foreign exchange transactions
Interest expense	65	Interest expense on deposit liabilities (Note 16)
Lease Payments	249	Payments for leasing agreements with various lease terms
Foreign currency		
Buy	6,852	Outright purchases of foreign currency
Sell	129,951	Outright sale of foreign currency
Key Personnel		
<u>Outstanding Balance:</u>		
Receivables from customers	₱124	Secured - ₱88.89 million and unsecured - ₱15.96 million, no impairment; With annual fixed interest rates ranging from 0.00% to 9.00% and maturity terms from 1 to 19 years (Note 9)
Deposit liabilities	397	With various terms and minimum annual interest rate of 0.00% (Note 16)
<u>Amount/Volume:</u>		
Receivables from customers	19	Generally similar to terms and conditions above
Deposit liabilities	65	Generally similar to terms and conditions above
Interest income	3	Interest income on receivables from customers (Note 9)

* Includes accrued interest

As of December 31, 2025 and 2024, government bonds with total face value of ₱60.0 million (classified as 'Investment securities at amortized cost as of December 31, 2025 and 2024'), are pledged by PSBank to the Parent Company to secure the latter's payroll account with PSBank. Also, the Parent Company has assigned to PSBank government securities with total face value of ₱3.5 billion (classified as 'Investment securities at amortized cost') to secure PSBank's deposits to the Parent Company.



Receivables from customers and deposit liabilities and their related statement of financial position and statement of income accounts resulted from the lending and deposit-taking activities of the Group and the Parent Company. Together with the sale of investment properties, borrowings, contingent accounts including derivative transactions, outright purchases and sales of securities and foreign currency buy and sell, leasing of office premises, securing of insurance coverage on loans and property risk, and other management services rendered, these are conducted in the normal course of business, at arm's-length transactions and are generally settled in cash. The amounts and related volumes and changes are presented in the summary above. Terms of receivables from customers, deposit liabilities and borrowings are also disclosed in Notes 9, 16 and 17, respectively, while other related party transactions above have been referred to their respective note disclosures.

The compensation of the key management personnel of the Group and the Parent Company follows:

	Consolidated			Parent Company		
	2025	2024	2023	2025	2024	2023
Short-term employee benefits	₱5,807	₱5,485	₱4,734	₱4,836	₱4,616	₱3,832
Post-employment benefits	89	103	116	63	94	81
	₱5,896	₱5,588	₱4,850	₱4,899	₱4,710	₱3,913

Director's fees and bonuses of the Parent Company in 2025, 2024 and 2023 amounted to ₱81.5 million, ₱70.7 million and ₱70.2 million, respectively.

Transactions with Retirement Plans

Under PFRS Accounting Standards, certain post-employment benefit plans are considered as related parties. The Parent Company has business relationships with a number of related party retirement plans pursuant to which it provides trust and management services to these plans. Certain trustees of the plans are either officers or directors of the Parent Company and/or the subsidiaries. Income earned by the Parent Company from such services amounted to ₱134.3 million, ₱135.7 million and ₱160.2 million in 2025, 2024 and 2023, respectively. In 2025, 2024 and 2023, the Parent Company purchased securities totaling ₱2.8 billion, ₱5.4 billion and ₱8.1 billion, respectively, from its related party retirement plans and also sold securities totaling ₱5.5 billion, ₱5.6 billion and ₱10.4 billion, respectively, and recognized net trading gains/(losses) of (₱39.5 thousand), ₱7.2 thousand and (₱427.5 thousand), respectively. Further, as of December 31, 2025 and 2024, the total outstanding deposit liabilities of the Group from these related party retirement funds amounted to ₱94.8 million and ₱144.3 million, respectively. Interest expense on deposit liabilities amounted to ₱3.1 million, ₱1.2 million and ₱25.3 million in 2025, 2024 and 2023, respectively.

As of December 31, 2025 and 2024, the related party retirement plans also hold investments in the equity shares of various companies within the Group amounting to ₱107.5 million and ₱138.7 million, respectively, with unrealized trading losses of ₱19.8 million and ₱13.3 million, respectively, and investments in mutual funds and trust funds of various companies within the Group amounting to ₱1.9 billion and ₱1.6 billion, respectively, with unrealized trading gains of ₱88.1 million and ₱51.2 million, respectively. In 2025, 2024 and 2023, realized trading gains/(losses) recognized by the related party retirement plans amounted to ₱48.7 million, ₱61.6 million and (₱5.9 million), respectively, and dividend income recognized amounted to ₱41.0 million, ₱2.5 million, and ₱1.4 million, respectively.



33. Foreign Exchange

Closing rates as of December 31 and WAR for each of the year ended December 31 are as follows:

		BAP	
	2025	2024	2023
Closing	₱58.79	₱57.85	₱55.37
WAR	57.51	57.28	55.63

34. Other Matters

The Group has no significant matters to report in 2025 on the following:

- a. Known trends, events or uncertainties that would have material impact on liquidity and on the sales or revenues.
- b. Explanatory comments about the seasonality or cyclicalities of operations.
- c. Issuances, repurchases and repayments of debt and equity securities except for the issuance of the ₱5.0 billion bonds of PSBank as discussed in Note 19.
- d. Unusual items as to nature, size or incidents affecting assets, liabilities, equity, net income or cash flows except for the payment of cash dividends by the Parent Company, as discussed in Note 23.
- e. Effect of changes in the composition of the Group during the year, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations.

35. Subsequent Events

- a. The US\$500.0 million senior unsecured notes issued by the Parent Company on July 15, 2020 which bear an interest rate of 2.125% per annum matured on January 15, 2026.
- b. On January 15, 2026, the BOD of PSBank declared a 7.50% regular cash dividend for the fourth quarter of 2025 amounting to ₱320.14 million or ₱0.75 per share payable on February 16, 2026 to all stockholders at record date as of January 30, 2026.
- c. On February 18, 2026, the BOD of the Parent Company approved the following:
 - i. Declaration of ₱3.00 regular cash dividend, payable on a semi-annual basis. The first payout of ₱1.50 per share is payable on March 26, 2026 to all stockholders of record as of March 9, 2026. Record and payment dates for the second payout of ₱1.50 per share will be determined during the regular meeting of the BOD in August 2026; and
 - ii. Declaration of ₱2.00 special cash dividend payable on March 26, 2026 to all stockholders of record as of March 9, 2026.

36. Approval of the Release of the Financial Statements

The accompanying financial statements of the Group and of the Parent Company were authorized for issue by the BOD on February 18, 2026.



37. Report on the Supplementary Information Required under Section 174 of the Manual of Regulations for Banks

Supplementary Information Under Section 174 of the Manual of Regulations for Banks

On January 8, 2020, the Monetary Board approved the amendments to the relevant provisions of the Manual of Regulations for Banks and Manual of Regulations for Foreign Exchange Transactions. Among the provisions is the requirement to include the following additional information to the Audited Financial Statements.

a. *Quantitative indicators of financial performance*

The following basic ratios measure the financial performance of the Group and the Parent Company:

	Consolidated			Parent Company		
	2025	2024	2023	2025	2024	2023
Return on average equity ⁽¹⁾	12.32%	12.97%	12.51%	12.30%	12.95%	12.49%
Return on average assets ⁽²⁾	1.34%	1.45%	1.42%	1.48%	1.62%	1.61%
Net interest margin on average earning assets ⁽³⁾	3.64%	3.77%	3.90%	3.51%	3.67%	3.83%

⁽¹⁾ Net income attributable to equity holders of the Parent Company for the year divided by average total equity attributable to the Parent Company.

⁽²⁾ Net income attributable to equity holders of the Parent Company for the year divided by average total assets.

⁽³⁾ Net interest income for the year divided by average interest-earning assets.

b. *Description of capital instrument issued*

The Group and the Parent Company consider its common stock and subordinated debts as capital instruments eligible as Tier 1 and Tier 2 capitals.

c. *Significant Credit Exposures*

Significant credit exposures of loans as to industry, gross of unearned discount and capitalized interest, follows:

	Consolidated				Parent Company			
	2025		2024		2025		2024	
	Amount	%	Amount	%	Amount	%	Amount	%
Real estate activities	₱365,208	18.32	₱327,236	17.85	₱320,774	18.44	₱286,257	17.88
Wholesale and retail trade, repair of motor vehicles and motorcycles	263,444	13.22	260,229	14.20	233,819	13.44	227,930	14.24
Manufacturing	178,171	8.94	198,032	10.81	173,431	9.97	194,411	12.14
Financial and insurance activities	170,631	8.56	176,043	9.60	163,758	9.42	170,072	10.62
Electricity, gas, steam and air conditioning supply	138,668	6.96	76,059	4.15	137,438	7.90	73,990	4.62
Information and communication	131,767	6.61	127,555	6.97	131,687	7.57	127,456	7.96
Transportation and storage	123,776	6.21	110,927	6.05	121,448	6.98	108,711	6.79
Activities of household employees	102,074	5.12	94,864	5.18	1,921	0.11	2,069	0.13
Construction	70,212	3.52	72,739	3.97	41,011	2.36	47,530	2.97
Water supply, sewerage, waste management and remediation activities	39,583	1.98	31,794	1.73	39,494	2.27	31,717	1.98
Administrative and support service activities	28,294	1.42	21,987	1.20	6,269	0.36	6,093	0.38
Agriculture, forestry, and fishing	23,263	1.16	21,875	1.19	22,090	1.27	20,842	1.30
Accommodation and food service activities	22,567	1.13	13,858	0.76	22,049	1.27	13,567	0.85
Arts, entertainment and recreation	3,167	0.16	3,192	0.17	3,086	0.18	3,112	0.20
Mining and quarrying	2,187	0.11	1,453	0.08	1,797	0.10	1,173	0.07
Professional, scientific and technical activities	1,533	0.08	1,444	0.08	1,385	0.08	1,303	0.08
Other service activities	1,531	0.08	1,689	0.09	1,529	0.09	1,689	0.11
Education	1,362	0.07	1,586	0.09	1,077	0.06	1,306	0.08
Human health and social work activities	758	0.04	606	0.03	656	0.04	522	0.03
Others*	325,078	16.31	289,673	15.80	314,684	18.09	281,235	17.57
	₱1,993,274	100.00	₱1,832,841	100.00	₱1,739,403	100.00	₱1,600,985	100.00

*Others include public administration and defense and other industries

The Group considers that concentration of credit exists when total loan exposure to a particular industry or economic sector exceeds 30.00% of total loan portfolio or 10.00% of Tier 1 capital (see Note 4).



d. *Breakdown of loans*

The following table shows information relating to receivables from customers by collateral, gross of unearned discounts and capitalized interest:

	Consolidated				Parent Company			
	2025		2024		2025		2024	
	Amount	%	Amount	%	Amount	%	Amount	%
Secured by:								
Other securities*	₱290,673	14.58	₱294,928	16.09	₱290,673	16.71	₱294,928	18.42
Chattel	123,069	6.17	102,980	5.62	23,973	1.38	21,622	1.35
Real estate	100,021	5.02	94,333	5.15	63,864	3.67	60,875	3.80
Equity securities	64,607	3.24	60,356	3.29	6,260	0.36	6,379	0.40
Deposit hold-out	57,705	2.90	46,739	2.55	57,208	3.29	46,239	2.89
Others	21,224	1.07	20,768	1.13	9,535	0.55	7,518	0.47
	657,299	32.98	620,104	33.83	451,513	25.96	437,561	27.33
Unsecured	1,335,975	67.02	1,212,737	66.17	1,287,890	74.04	1,163,424	72.67
	₱1,993,274	100.00	₱1,832,841	100.00	₱1,739,403	100.00	₱1,600,985	100.00

*Other securities include mixed collaterals (combination of chattel mortgage, deposit hold-outs), money market placements and surety bond.

Non-performing loans (NPLs) included in the total loan portfolio of the Group and the Parent Company, as reported to the BSP, are presented below:

	Consolidated		Parent Company	
	2025	2024	2025	2024
Gross NPLs	₱34,134	₱25,985	₱26,827	₱20,277
Less allowance for credit losses	26,102	19,635	22,912	16,647
Net carrying amount	₱8,032	₱6,350	₱3,915	₱3,630

Under banking regulations, loan accounts shall be considered non-performing, even without any missed contractual payments, when they are considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal or interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than 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. Moreover, NPLs shall remain classified as such until (a) there is sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least six (6) months; or (b) written-off. Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after they have become past due.

e. *Information on related party loans*

In the ordinary course of business, the Group has loan transactions with investees and with certain directors, officers, stockholders and related interests (DOSRI) based on BSP Circular No. 423 dated March 15, 2004, as amended. Existing banking regulations limit the amount of individual loans to DOSRI, 70.00% of which must be secured, to the total of their respective deposits and book value of their respective investments in the lending company within the Group. In the aggregate, loans to DOSRI generally should not exceed the respective total equity or 15.00% of the respective total loan portfolio, whichever is lower, of the Parent Company, PSBank, FMIC, and ORIX Metro.



The following table shows information on related party loans as reported to the BSP:

	2025		2024	
	DOSRI Loans	Related Party Loans	DOSRI Loans	Related Party Loans
Consolidated				
Total outstanding loans	₱5,341	₱99,712	₱7,032	₱79,707
Percent of DOSRI/Related Party Loans to total loan portfolio	0.26%	4.88%	0.37%	4.20%
Percent of unsecured DOSRI/Related Party Loans to total DOSRI/Related Party Loans	9.19%	99.39%	11.57%	99.30%
Percent of past due DOSRI/Related Party Loans to total DOSRI/Related Party Loans	0.04%	0.03%	0.02%	0.01%
Percent of non-performing DOSRI/Related Party Loans to total DOSRI/Related Party Loans	0.02%	0.02%	0.01%	0.01%
Parent Company				
Total outstanding loans	₱5,143	₱102,418	₱6,816	₱88,385
Percent of DOSRI/Related Party Loans to total loan portfolio	0.29%	5.84%	0.42%	5.21%
Percent of unsecured DOSRI/Related Party Loans to total DOSRI/Related Party Loans	5.97%	99.40%	8.92%	99.34%
Percent of past due DOSRI/Related Party Loans to total DOSRI/Related Party Loans	0.04%	0.03%	0.02%	0.01%
Percent of non-performing DOSRI/Related Party Loans to total DOSRI/Related Party Loans	0.02%	0.02%	0.01%	0.01%

BSP Circular Nos. 560 and 654 provide the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks which require that the total outstanding loans, other credit accommodations and guarantees to each of the bank's/quasi-bank's subsidiaries and affiliates shall not exceed 10.00%, while a separate individual limit of 25.00% for those engaged in energy and power generation, of the net worth of the lending bank/quasi-bank, provided that the unsecured portion of which shall not exceed 5.00% or 12.50%, respectively, of such net worth. Further, the total outstanding loans, credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20.00% of the net worth of the lending bank/quasi-bank; and the subsidiaries and affiliates of the lending bank/quasi-bank are not related interest of any director, officer and/or stockholder of the lending institution, except where such director, officer or stockholder sits in the BOD or is appointed officer of such corporation as representative of the bank/quasi-bank as reported to the BSP. As of December 31, 2025 and 2024, the total outstanding loans, other credit accommodations and guarantees to each of the Parent Company's subsidiaries and affiliates did not exceed 10.00% of the Parent Company's net worth, as reported to the BSP, and the unsecured portion did not exceed 5.00% of such net worth wherein the total outstanding loans, other credit accommodations and guarantees to all such subsidiaries and affiliates represent 11.94% and 11.26%, respectively, of the Parent Company's net worth. The Parent Company has no outstanding loans, other credit accommodations and guarantees to subsidiaries and affiliates engaged in energy and power generation.

Total interest income on DOSRI loans in 2025, 2024 and 2023 amounted to ₱406.0 million, ₱419.3 million and ₱461.9 million, respectively, for the Group, and ₱393.7 million, ₱407.3 million and ₱457.1 million, respectively, for the Parent Company.



f. Secured Liabilities and Assets Pledged as Security

The following are the carrying values of the debt securities pledged and transferred under SSURA transactions of the Group and the Parent Company:

	Consolidated				Parent Company			
	2025		2024		2025		2024	
	Transferred Securities	SSURA	Transferred Securities	SSURA	Transferred Securities	SSURA	Transferred Securities	SSURA
Investment securities at FVTPL	₱2,988	₱2,652	₱83,564	₱83,292	₱2,988	₱2,652	₱83,564	₱83,292
Investment securities at FVOCI								
Government	332,723	327,311	46,677	43,099	332,723	327,311	46,677	43,099
Private	3,320	3,320	—	—	—	—	—	—
Investment securities at amortized cost	80,201	74,273	168,582	150,237	80,201	74,273	168,582	150,237
	₱419,232	₱407,556	₱298,823	₱276,628	₱415,912	₱404,236	₱298,823	₱276,628

g. Contingencies and commitments arising from off-balance sheet items

The following is a summary of contingencies and commitments at their peso-equivalent contractual amounts arising from off-balance sheet items:

	Consolidated		Parent Company	
	2025	2024	2025	2024
Derivatives	₱1,487,567	₱1,506,378	₱1,419,591	₱1,471,890
Trust department accounts	955,848	581,367	938,889	565,936
Commitments	508,521	393,304	508,491	393,244
Performance standby letters of credit	60,546	41,320	60,546	41,300
Spot foreign exchange contracts	48,017	52,588	47,929	52,559
Commercial letters of credit	29,397	30,284	9,570	16,140
Guarantees issued	26,789	20,829	25,528	20,829
Trade related guarantees	604	923	604	923
Others	42,193	33,936	12,855	10,568
	₱3,159,482	₱2,660,929	₱3,024,003	₱2,573,389

38. Report on the Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010

Supplementary Information Under RR No. 15-2010

On November 25, 2010, the BIR issued RR No. 15-2010 to amend certain provisions of RR No. 21-2002 which provides 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 Parent Company reported the following types of taxes for the year ended December 31, 2025 included under 'Taxes and licenses' account in the statement of income:

GRT	₱6,157
DST	4,745
Local taxes	309
Real estate tax	107
Others	438
	₱11,756



Details of the total withholding taxes remittances for the taxable year December 31, 2025 follow:

Taxes withheld on compensation	₱3,701
Final withholding taxes	9,661
Expanded withholding taxes	1,667
	<u>₱15,029</u>

As of December 31, 2025, the Parent Company has no outstanding tax cases under preliminary investigation, litigation, and/or prosecution in courts or bodies outside the BIR.



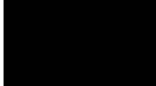
February 19, 2025

Atty. Stefanie Ann B. Go
Officer-in-Charge, Disclosure Department
The Philippine Stock Exchange, Inc.
6/F PSE Tower
5th Avenue corner 28th Street
Bonifacio Global City, Taguig City

Dear Atty. Go:

We submit a copy of the Audited Financial Statements of Metropolitan Bank & Trust Company and Subsidiaries as of December 31, 2024 and 2023 and for the years ended December 31, 2024, 2023 and 2022 and the corresponding Management Discussion and Analysis.

Very truly yours,


Renato K. De Borja, Jr.
Senior Vice President/Controller
Deputy Head, Financial and Control Sector

cc: Philippine Dealing Exchange Corp.
29th Floor, BDO Equitable Tower
8751 Paseo de Roxas, 1226 Makati City

COVER SHEET

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SEC Registration Number

M	E	T	R	O	P	O	L	I	T	A	N		B	A	N	K		&		T	R	U	S	T		C	O	M	P	A	N	Y

(Company's Full Name)

G	T		T	o	w	e	r		I	n	t	e	r	n	a	t	i	o	n	a	l	,		6	8	1	3					
A	y	a	l	a		A	v	e	.	,		c	o	r	n	e	r		H	.	V	.		D	e	l	a					
C	o	s	t	a		S	t	.		B	r	g	y	.		B	e	l	-	A	i	r	,		1	2	2	7				
M	a	k	a	t	i		C	i	t	y																						

(Business Address: No. Street City/Town/Province)

RENATO K. DE BORJA, JR.

(Contact Person)

(Company Telephone Number)

1	2		3	1

Month Day
(Fiscal Year)

1	7	-	C	

(Form Type)

0	4		2	3

Month Day
(Annual Meeting)

NONE

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

2,922

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2 (C) THEREUNDER

1. February 19, 2025
Date of Report
2. SEC Identification Number 20573
3. BIR Tax Identification No. 000-477-863
4. METROPOLITAN BANK & TRUST COMPANY
Exact name of issuer as specified in its charter
5. Manila
Province, country or other
jurisdiction of incorporation
6. (SEC Use Only)
Industry Classification Code:
7. GT Tower International, 6813 Ayala Ave.
corner H.V. Dela Costa St., Brgy.
Bel-Air, Makati City
Address of principal office
- 1227
Postal Code
8. (02) 8898-8000
Issuer's telephone number, including area code
9. N.A.
Former name or former address, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Shares	4,497,415,555

11. Indicate the item numbers reported herein:

Item No. 9 – Other Events

Attached is a copy of the Audited Financial Statements of Metropolitan Bank & Trust Company and Subsidiaries as of December 31, 2024 and 2023 and for the years ended December 31, 2024, 2023 and 2022 and the corresponding Management Discussion and Analysis.

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

METROPOLITAN BANK & TRUST COMPANY

Issuer

By:



RENATO K. DE BORJA, JR.
Senior Vice President/Controller/
Deputy Head, Financial and Control Sector

SUBSCRIBED AND SWORN to before me this day of **TAGUIG CITY** **FEB 19 2025**
affiant exhibiting to me his issued at valid
until .


ATTY. PINNA MARIE A. TILOS-ATIGA
NOTARY PUBLIC, CITY OF TAGUIG
APPOINTMENT NO. 110 - UNTIL DECEMBER 31, 2025
2/F THE SHOPS, GRAND CENTRAL PARK,
7TH AVE. COR. 36TH AND 38TH ST. NORTH BONIFACIO
DISTRICT, BGC, TAGUIG CITY
ROLL OF ATTORNEYS NO. 68183

Doc. No. 154 ;
Page No. 32 ;
Book No. 4 ;
Series of 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

The statements of financial position and statements of income of Metropolitan Bank & Trust Company and its Subsidiaries (the Metrobank Group) as of and for the years ended December 31, 2024, 2023, 2022 and 2021 are presented below.

Statements of Financial Position (Amounts in millions)

	December 31				Increase (Decrease) 2024 vs. 2023		Increase (Decrease) 2023 vs. 2022		Increase (Decrease) 2022 vs. 2021	
	2024	2023	2022	2021	Amount	%	Amount	%	Amount	%
Assets										
Cash and Other Cash Items	₱33,726	₱39,431	₱40,683	₱41,302	(₱5,705)	(14.47)	(₱1,252)	(3.08)	(₱619)	(1.50)
Due from Bangko Sentral ng Pilipinas (BSP)	150,128	207,807	252,628	253,257	(57,679)	(27.76)	(44,821)	(17.74)	(629)	(0.25)
Due from Other Banks	82,068	90,535	75,472	48,831	(8,467)	(9.35)	15,063	19.96	26,641	54.56
Interbank Loans Receivable and Securities Purchased Under Resale Agreements (SPURA)	81,287	72,979	73,744	70,447	8,308	11.38	(765)	(1.04)	3,297	4.68
Investment Securities at Fair Value Through Profit or Loss (FVTPL)	226,302	74,856	63,599	50,792	151,446	202.32	11,257	17.70	12,807	25.21
Fair Value Through Other Comprehensive Income (FVOCI)	573,001	536,623	530,464	648,808	36,378	6.78	6,159	1.16	(118,344)	(18.24)
Amortized Cost	475,024	470,638	317,776	83,810	4,386	0.93	152,862	48.10	233,966	279.16
Loans and Receivables	1,816,010	1,537,166	1,418,382	1,236,071	278,844	18.14	118,784	8.37	182,311	14.75
Property and Equipment	28,116	27,243	27,153	25,783	873	3.20	90	0.33	1,370	5.31
Investments in Associates and a Joint Venture	6,359	6,241	5,877	5,851	118	1.89	364	6.19	26	0.44
Goodwill	4,543	4,720	5,194	5,194	(177)	(3.75)	(474)	(9.13)	-	-
Investment Properties	7,805	8,107	7,901	7,327	(302)	(3.73)	206	2.61	574	7.83
Deferred Tax Assets	18,037	14,171	13,362	13,094	3,866	27.28	809	6.05	268	2.05
Other Assets	17,949	14,385	10,855	12,249	3,564	24.78	3,530	32.52	(1,394)	(11.38)
Total Assets	₱3,520,355	₱3,104,902	₱2,843,090	₱2,502,816	₱415,453	13.38	₱261,812	9.21	₱340,274	13.60

Liabilities and Equity										
Liabilities										
Deposit Liabilities										
CASA	₱1,487,938	₱1,439,373	₱1,479,551	₱1,462,717	₱48,565	3.37	(₱40,178)	(2.72)	₱16,834	1.15
Demand	608,370	586,345	581,473	588,434	22,025	3.76	4,872	0.84	(6,961)	(1.18)
Savings	879,568	853,028	898,078	874,283	26,540	3.11	(45,050)	(5.02)	23,795	2.72
Time	1,085,940	925,885	715,415	438,046	160,055	17.29	210,470	29.42	277,369	63.32
Long-Term Negotiable Certificates	-	17,514	26,158	29,521	(17,514)	(100.00)	(8,644)	(33.05)	(3,363)	(11.39)
	2,573,878	2,382,772	2,221,124	1,930,284	191,106	8.02	161,648	7.28	290,840	15.07
Bills Payable and Securities Sold Under Repurchase Agreements (SSURA)	300,652	156,896	91,322	70,334	143,756	91.63	65,574	71.81	20,988	29.84
Derivative Liabilities	13,370	16,865	16,865	8,349	(3,495)	(20.72)	-	-	8,516	102.00
Manager's Checks and Demand Drafts Outstanding	6,901	7,048	6,501	5,396	(147)	(2.09)	547	8.41	1,105	20.48
Income Taxes Payable	4,219	3,601	1,478	1,749	618	17.16	2,123	143.64	(271)	(15.49)
Accrued Interest and Other Expenses	23,544	19,785	13,956	9,858	3,759	19.00	5,829	41.77	4,098	41.57
Bonds Payable	107,236	70,089	88,409	79,823	37,147	53.00	(18,320)	(20.72)	8,586	10.76
Subordinated Debts	-	-	1,169	1,168	-	0.00	(1,169)	(100.00)	1	0.09
Non-equity Non-controlling Interest	-	10,260	10,139	10,619	(10,260)	(100.00)	121	1.19	(480)	(4.52)
Other Liabilities	94,150	70,848	64,037	57,504	23,302	32.89	6,811	10.64	6,533	11.36
Total Liabilities	3,123,950	2,738,164	2,515,000	2,175,084	385,786	14.09	223,164	8.87	339,916	15.63

	December 31				Increase (Decrease) 2024 vs. 2023		Increase (Decrease) 2023 vs. 2022		Increase (Decrease) 2022 vs. 2021	
	2024	2023	2022	2021	Amount	%	Amount	%	Amount	%
Equity										
Equity Attributable to Equity Holders of the Parent Company										
Common stock	₱89,948	₱89,948	₱89,948	₱89,948	₱-	-	₱-	-	₱-	-
Capital paid in excess of par value	85,252	85,252	85,252	85,252	-	-	-	-	-	-
Treasury stock	-	(70)	(72)	(70)	70	100.00	2	2.78	(2)	(2.86)
Surplus reserves	2,888	2,752	2,613	2,442	136	4.94	139	5.32	171	7.00
Surplus	230,314	204,896	176,374	157,260	25,418	12.41	28,522	16.17	19,114	12.15
Net unrealized loss on investment securities at FVOCI	(8,185)	(10,065)	(23,076)	(3,751)	1,880	18.68	13,011	56.38	(19,325)	(515.20)
Remeasurement losses on retirement plans	(6,436)	(7,491)	(4,404)	(4,747)	1,055	14.08	(3,087)	(70.10)	343	7.23
Equity in other comprehensive income (losses) of investees	80	116	(145)	(118)	(36)	(31.03)	261	180.00	(27)	(22.88)
Translation adjustment and others	(8,359)	(8,673)	(7,982)	(7,711)	314	3.62	(691)	(8.66)	(271)	(3.51)
	385,502	356,665	318,508	318,505	28,837	8.09	38,157	11.98	3	0.00
Non-controlling Interest	10,903	10,073	9,582	9,227	830	8.24	491	5.12	355	3.85
Total Equity	396,405	366,738	328,090	327,732	29,667	8.09	38,648	11.78	358	0.11
Total Liabilities and Equity	₱3,520,355	₱3,104,902	₱2,843,090	₱2,502,816	₱415,453	13.38	₱261,812	9.21	₱340,274	13.60

Statements of Income

Interest Income	₱177,664	₱153,612	₱102,370	₱87,177	₱24,052	15.66	₱51,242	50.06	₱15,193	17.43
Interest and Finance Charges	63,549	48,642	16,841	12,128	14,907	30.65	31,801	188.83	4,713	38.86
Net Interest Income	114,115	104,970	85,529	75,049	9,145	8.71	19,441	22.73	10,480	13.96
Provision for Credit and Impairment Losses	6,360	8,978	8,112	11,834	(2,618)	(29.16)	866	10.68	(3,722)	(31.45)
Net Interest Income After Provision for Credit and Impairment Losses	107,755	95,992	77,417	63,215	11,763	12.25	18,575	23.99	14,202	22.47
Other Operating Income	29,219	28,504	26,793	25,831	715	2.51	1,711	6.39	962	3.72
Other Operating Expenses	77,161	69,522	60,996	59,473	7,639	10.99	8,526	13.98	1,523	2.56
Income Before Share in Net Income of Associates and a Joint Venture	59,813	54,974	43,214	29,573	4,839	8.80	11,760	27.21	13,641	46.13
Share in Net Income of Associates and a Joint Venture	765	875	704	568	(110)	(12.57)	171	24.29	136	23.94
Income Before Income Tax	60,578	55,849	43,918	30,141	4,729	8.47	11,931	27.17	13,777	45.71
Provision for Income Tax	11,345	12,890	10,620	7,777	(1,545)	(11.99)	2,270	21.37	2,843	36.56
Net Income	₱49,233	₱42,959	₱33,298	₱22,364	₱6,274	14.60	₱9,661	29.01	₱10,934	48.89
Attributable to:										
Equity holders of the Parent Company	₱48,137	₱42,238	₱32,776	₱22,156	₱5,899	13.97	₱9,462	28.87	₱10,620	47.93
Non-controlling interest	1,096	721	522	208	375	52.01	199	38.12	314	150.96
	₱49,233	₱42,959	₱33,298	₱22,364	₱6,274	14.60	₱9,661	29.01	₱10,934	48.89

Statements of Comprehensive Income

	December 31				Increase (Decrease) 2024 vs. 2023		Increase (Decrease) 2023 vs. 2022		Increase (Decrease) 2022 vs. 2021	
	2024	2023	2022	2021	Amount	%	Amount	%	Amount	%
Net Income	₱49,233	₱42,959	₱33,298	₱22,364	₱6,274	14.60	₱9,661	29.01	₱10,934	48.89
Other Comprehensive Income for the Year, net of tax										
Items that may not be reclassified to profit or loss:										
Change in net unrealized gain (loss) on equity securities at FVOCI	394	256	(62)	137	138	53.91	318	512.90	(199)	(145.26)
Change in remeasurement gain (loss) on retirement plans	1,026	(3,157)	318	99	4,183	132.50	(3,475)	(1,092.77)	219	221.21
Items that may be reclassified to profit or loss:										
Change in net unrealized gain (loss) on investment on debt securities at FVOCI	1,385	12,685	(19,270)	(11,505)	(11,300)	(89.08)	31,955	165.83	(7,765)	(67.49)
Change in equity in other comprehensive income (loss) of investees	(37)	263	(26)	(96)	(300)	(114.07)	289	1,111.54	70	72.92
Translation adjustment and others	243	(719)	(257)	1,702	962	133.80	(462)	(179.77)	(1,959)	(115.10)
	1,591	12,229	(19,553)	(9,899)	(10,638)	(86.99)	31,782	162.54	(9,654)	(97.53)
Total Comprehensive Income for the Year	₱52,244	₱52,287	₱14,001	₱12,701	(₱43)	(0.08)	₱38,286	273.45	₱1,300	10.24
Attributable to:										
Equity holders of the Parent Company	₱51,254	₱51,647	₱13,497	₱12,296	(₱393)	(0.76)	₱38,150	282.66	₱1,201	9.77
Non-controlling Interest	990	640	504	405	350	54.69	136	26.98	99	24.44
	₱52,244	₱52,287	₱14,001	₱12,701	(₱43)	(0.08)	₱38,286	273.45	₱1,300	10.24

Key Performance Indicators

The performance of the Metrobank Group and its significant majority-owned subsidiaries are measured by the following key indicators:

Company Name	Performance Indicators				
	Book Value Per Share	Basic/ Diluted Earnings Per Share	Return on Average Equity	Return on Average Assets	Net Interest Margin on Average Earning Assets

For the Year 2024

Metrobank Group	₱85.72	₱10.71	12.97%	1.45%	3.77%
FMIC (a)	2,107.98*	114.75*	5.33%	3.23%	5.66%
ORIX METRO	156.24	16.84	11.34%	6.59%	8.76%
PSBank	103.33	12.20	12.36%	2.29%	6.00%

For the Year 2023

Metrobank Group	₱79.33	₱9.39	12.51%	1.42%	3.90%
FMIC (a)	2,200.97*	74.09*	3.46%	1.72%	5.29%
ORIX METRO	140.69	6.48	4.70%	2.22%	8.31%
PSBank	94.07	10.61	11.72%	1.80%	5.18%

(a) *FMIC and Subsidiaries*

* On September 15, 2023, the SEC approved the amendment on the Articles of Incorporation of FMIC thereby decreasing the number of authorized common shares from 800 million to 16 million shares with increase in par value from ₱10 to ₱500 per share.

A separate schedule showing financial soundness indicators of the Metrobank Group as of December 31, 2024 and 2023 is presented in Exhibit “A” as an attachment to this report.

2024 Performance

Financial Position

As of December 31, 2024, the audited consolidated total assets of the Metrobank Group stood at ₱3.52 trillion and grew by ₱415.45 billion or 13.38% compared with the ₱3.10 trillion consolidated total assets as of December 31, 2023. On the other hand, the audited total consolidated liabilities stood at ₱3.12 trillion and higher by ₱386 billion or 14% compared with ₱2.74 trillion as of December 31, 2023.

Cash and Other Cash Items decreased by ₱5.71 billion or 14.47% due to the lower level of cash requirements of the Parent Company. Due from BSP decreased by ₱57.68 billion or 27.76% driven by lower level of term and overnight deposit placements maintained with BSP. Due from Other Banks decreased by ₱8.47 billion or 9.35% as a result of the net movements in the balances maintained with various local and foreign banks. Interbank Loans Receivable and SPURA went up by ₱8.31 billion or 11.38% on account of higher balance of interbank loans offset by the lower balance of SPURA.

Total investment securities which consisted of FVTPL, FVOCI and securities at amortized cost represents 36.20% and 34.85% of the Group's total assets as of December 31, 2024 and December 31, 2023, respectively, amounted to ₱1.27 trillion and ₱1.08 trillion, respectively, and went up by ₱192.21 billion or 17.76%. The increase was driven by the higher portfolio of FVTPL securities consisting of HFT securities and derivative assets amounting to ₱206.18 billion and ₱20.12 billion, respectively, as of December 31, 2024 compared with ₱52.93 billion and ₱21.92 billion, respectively, as of December 31, 2023. Portfolios of FVOCI securities and securities at amortized cost also grew by ₱36.38 billion and ₱4.39 billion, respectively, due to higher portfolio of debt securities particularly on government bonds and BSP securities.

Net loans and receivables, representing 51.59% and 49.51% of the Group's total assets as of December 31, 2024 and December 31, 2023, respectively, grew by ₱278.84 billion or 18.14% driven by the growths in all segments majority on corporate loans.

Deferred tax assets increased by ₱3.87 billion or 27.28% from ₱14.17 billion to ₱18.04 billion due to movements on temporary tax differences. Other Assets increased by ₱3.56 billion or 24.78% from ₱14.39 billion to ₱17.95 billion primarily due to increase in software costs and miscellaneous assets and the ₱1.2 billion funds held in Trust in compliance with BSP Circular 1166.

On the liability side, deposit liabilities represent 82.39% and 87.02% of the consolidated total liabilities as of December 31, 2024 and December 31, 2023, respectively, wherein, low cost deposits represent 57.81% and 60.41% of the Group's total deposit liabilities, respectively. The Group's deposit level, sourced by the Bank, PSBank and MBCL reached ₱2.57 trillion as of December 31, 2024, an increase of ₱191.11 billion or 8.02% from ₱2.38 trillion as of December 31, 2023. The increase was driven by the higher level of time deposit which increased by ₱160.06 billion or 17.29%, and the ₱48.57 billion or 3.37% growth in CASA offset by the maturity of the ₱17.51 billion LTNCDs (₱12.43 billion for the Parent Company and ₱5.08 billion for PSBank).

Bills Payable and SSURA went up by ₱143.76 billion or 91.63% wherein the level of SSURA increased from ₱134.80 billion as of December 31, 2023 to ₱276.63 billion as of December 31, 2024. Derivative Liabilities which represent mark-to-market of foreign currency forwards, interest rate swaps, cross currency swaps, foreign currency options, bond futures and credit default swaps with negative fair value decreased by ₱3.50 billion or 20.72%. Income taxes payable increased by ₱0.62 billion mainly due to accrual of corporate income tax.

Accrued Interest and Other Expenses went up by ₱3.76 billion or 19.00% due to increases in accruals of other bank expenses and interests particularly on time deposits. Bonds payable increased by ₱37.15 billion or 53.00% mainly on account of the peso values of the newly issued bonds net of maturities. In 2024, FMIC disposed off its remaining interest on the mutual fund subsidiaries (not attributed to the Group), which caused the zero balance in "Non-equity Non-controlling interest" account compared with ₱10.26 billion in 2023. Other liabilities increased by ₱23.30 billion or 32.89% on account of higher balances of accounts payable, marginal deposits, and bills purchased contra account.

Non-controlling interest increased by ₱0.83 billion or 8.24%. Further, equity attributable to equity holders of the Parent Company increased by ₱28.84 billion or 8.09% mainly on account of the ₱48.14 billion net income reported during the year reduced by the ₱22.49 billion total cash dividends paid by the Parent Company plus the decreases in net unrealized losses recognized on FVOCI securities and remeasurement losses recognized on retirement plan by ₱1.88 billion and ₱1.06 billion, respectively.

Results of Operations

Net income attributable to equity holders of the Parent Company for the year ended December 31, 2024 amounted to ₱48.14 billion and improved by ₱5.90 billion or 13.97% from the ₱42.24 billion net income reported in the previous year. The improvement was driven by the following:

Interest income went up by ₱24.05 billion or 15.66% on account of higher interest income on loans and receivables by ₱16.31 billion, and investment securities by ₱9.37 billion reduced by lower interest income on deposit with banks and others by ₱1.48 billion. Meanwhile, increase in interest expense on deposit liabilities particularly on time deposits by ₱7.86 billion and in interest expense on borrowings by ₱7.05 billion (which includes the interest on the new USD denominated senior unsecured notes issued by the Parent Bank and the bonds issued by MBCL) accounted for the ₱14.91 billion or 30.65% increase in interest and finance charges. As a result, net interest income improved by ₱9.15 billion or by 8.71% from ₱104.97 billion in 2023 to ₱114.12 billion in 2024.

Other operating income of ₱29.22 billion increased by ₱0.72 billion or 2.51% from ₱28.50 billion in 2023 on account of the ₱1.57 billion increase in net trading, securities and foreign exchange gain and the ₱0.54 billion increase in fee-based income offset by the ₱1.46 billion lower profit from assets sold.

Total operating expenses increased by ₱7.64 billion or 10.99% from ₱69.52 billion to ₱77.16 billion due to increases in manpower cost by ₱3.05 billion, taxes and licenses by ₱2.49 billion, and miscellaneous expenses by ₱1.92 billion. Total provision for credit and impairment losses of the Group amounted to ₱6.36 billion for the year ended December 31, 2024 or ₱2.62 billion lower compared with ₱8.98 billion provision in 2023. Provision for income tax was lower by ₱1.55 billion from ₱12.89 billion to ₱11.35 billion due to net movements in corporate, final and deferred income taxes.

Income attributable to non-controlling interests went up to ₱1.10 billion from ₱0.72 billion or by ₱0.38 billion or 52.01% due to higher net income of majority owned subsidiaries.

Total comprehensive income went up by ₱0.04 billion from ₱52.29 billion for the year ended December 31, 2023 to ₱52.24 billion for the year 2024 due to the net effect of the higher net income, plus the favorable movement in remeasurement loss recognized in retirement plan offset by the movement in net unrealized loss recognized on FVOCI investments from ₱12.69 billion positive variance in 2023 to ₱1.39 billion positive variance in 2024. This caused the total comprehensive income attributable to equity holders of the Parent Company to decrease by ₱0.39 billion from ₱51.65 billion for the year ended December 31, 2023 to ₱51.25 billion for the year ended December 31, 2024. Total comprehensive income attributable to non-controlling interest increased by ₱350 million or 54.69%.

Market share price as of December 31, 2024 was at ₱72.00 (from ₱51.30 as of December 31, 2023) with a market capitalization of ₱323.81 billion.

2023 Performance

Financial Position

As of December 31, 2023, the audited consolidated total assets and total liabilities of the Metrobank Group stood at ₱3.10 trillion and ₱2.74 trillion, respectively. Compared with December 31, 2022, total assets and total liabilities went up by ₱261.81 billion or 9.21% and by ₱223.16 billion or 8.87%, respectively. On the other hand, equity attributable to equity holders of the Parent Company was higher by ₱38.16 billion or 11.98% from ₱318.51 billion to ₱356.67 billion.

Due from BSP decreased by 17.74% driven by lower level of term deposit partially offset by the increase in level of overnight facility placements both maintained with BSP. Due from Other Banks increased by ₱15.06 billion or 19.96% as a result of the net movements in the balances maintained with various local and foreign banks.

Total investment securities which consisted of FVTPL, FVOCI and securities at amortized cost represents 34.85% and 32.07% of the Group's total assets as of December 31, 2023 and 2022, respectively, went up by ₱170.28 billion or 18.67%. Securities at amortized cost went up by ₱152.86 billion particularly on treasury notes and government bonds. FVTPL securities consist of debt and equity securities and derivative assets amounting to ₱46.13 billion, ₱6.80 billion and ₱21.92 billion, respectively, as of December 31, 2023 and ₱32.0 billion, ₱7.16 billion and ₱24.44 billion, respectively, as of December 31, 2022. FVOCI securities increased by ₱6.16 billion due to higher portfolio of debt securities particularly treasury notes and bonds.

Net loans and receivables, representing 49.51% and 49.89% of the Group's total assets as of December 31, 2023 and 2022, respectively, went up by ₱118.78 billion or 8.37% driven by the growths in corporate loans, consumer loans and credit card portfolios.

Investments in Associates and a Joint Venture went up by ₱0.36 billion or 6.19% due to the net income and other comprehensive income contributed by the associates of FMIC. Deferred Tax Assets increased by ₱0.81 billion or 6.05% due to movements on temporary tax differences particularly on allowance for credit and impairment losses. In 2023, the Group recognized impairment loss of ₱474.3 million on the outstanding goodwill. Other Assets on the other hand, increased by ₱3.53 billion or 32.52% from ₱10.86 billion to ₱14.39 billion primarily due to the movements in miscellaneous assets.

Deposit liabilities represent 87.02% and 88.32% of the consolidated total liabilities as of December 31, 2023 and 2022, respectively, wherein, low cost deposits represent 60.41% and 66.61% of the Group's total deposits, respectively. The Group's deposit level, sourced by the Bank, PSBank and MBCL reached ₱2.38 trillion as of December 31, 2023, an increase of ₱161.65 billion or 7.28% from ₱2.22 trillion as of December 31, 2022. The increment came from time deposits by ₱210.47 billion partially offset by the ₱40.18 billion decrease in CASA deposits and the maturity of the ₱8.65 billion LTNCD of the Parent Company.

Bills Payable and SSURA went up by ₱65.57 billion or 71.81% mainly due to higher level of SSURA from ₱67.12 billion as of December 31, 2022 to ₱134.80 billion as of December 31, 2023. Manager's Checks and Demand Drafts Outstanding increased by ₱0.55 billion or 8.41% as a result of the normal banking operations of the Bank and PSBank. Income taxes payable increased by ₱2.12 billion or 143.64% due to higher tax base for the last quarter of 2023.

Accrued Interest and Other Expenses went up by ₱5.83 billion or 41.77% wherein accrued interest increased by ₱3.53 billion while accrual for other bank expenses increased by ₱2.30 billion. Bonds payable decreased by ₱18.32 billion or 20.72% due to maturities of the ₱13.75 billion and ₱4.65 billion fixed rate bonds of the Parent Company and PSBank, respectively. Subordinated debts decreased by 100% due to maturity of the ₱1.17 billion peso notes of the Parent Company. Other liabilities increased by ₱6.81 billion or 10.64% due to movements in accounts payable, retirement liability, bills purchased contra account and marginal deposits.

The ₱0.49 billion or 5.12% increase in equity of non-controlling interest was attributed to the net income generated by the majority-owned subsidiaries of the Parent Company for the year ended December 31, 2023. On the other hand, equity attributable to equity holders of the Parent Company increased by ₱38.16 billion or 11.98% on account of the ₱42.24 billion net income reported during the year reduced by the ₱13.49 billion total cash paid by the Parent Company plus the favorable movement in net unrealized loss recognized in investment securities at FVOCI from ₱23.08 billion in 2022 to ₱10.07 billion in 2023.

Results of Operations

Net income attributable to equity holders of the Parent Company for the year ended December 31, 2023 amounted to ₱42.24 billion and improved by ₱9.46 billion or 28.87% from the ₱32.78 billion net income reported in the previous year. The improvement was driven by the following:

Interest income went up by ₱51.24 billion or 50.06% on account of higher interest income on loans and receivables by ₱30.36 billion, on investment securities by ₱17.96 billion, on interbank loans receivable by ₱1.88 billion and on deposit with banks and others by ₱1.05 billion. Meanwhile, increase in interest expense on deposit liabilities particularly on time deposits by ₱29.70 billion and in interest expense on borrowings by ₱2.10 billion accounted for the increase of ₱31.80 billion or 188.83% in interest and finance charges. As a result, net interest income improved by ₱19.44 billion or by 22.73%.

Other operating income of ₱28.50 billion increased by ₱1.71 billion or 6.39% from ₱26.79 billion in 2022 on account of the ₱1.36 billion increase in fee-based income, the ₱1.22 billion increase in profit from assets sold and the positive movement in foreign exchange gain from a loss of ₱2.43 billion in 2022 to a gain of ₱4.10 billion in 2023; reduced by the negative movement in trading and securities gain from a gain of ₱6.40 billion in 2022 to a loss of ₱94 million in 2023 and the ₱0.65 billion decrease in miscellaneous income.

Total operating expenses went up by ₱8.53 billion or 13.98% from ₱61.00 billion to ₱69.52 billion due to increases in taxes and licenses by ₱3.40 billion, manpower cost by ₱2.13 billion, and miscellaneous expenses by ₱1.94 billion. Total provision for credit and impairment losses of the Group amounted to ₱8.98 billion for the year ended December 31, 2023 or ₱0.87 billion higher compared with ₱8.11 billion provision in 2022. Provision for income tax was higher by ₱2.27 billion from ₱10.62 billion to ₱12.89 billion due to net movements in corporate, final and deferred income taxes.

Income attributable to non-controlling interests went up by ₱0.20 billion or 38.12% from ₱0.52 billion to ₱0.72 billion due to higher net income of majority owned subsidiaries.

Total comprehensive income went up by ₱38.29 billion from ₱14.00 billion for the year ended December 31, 2022 to ₱52.29 billion for the same year in 2023 due to the net effect of the higher net income and favorable movement in net unrealized gain(loss) recognized on FVOCI investments for the year 2023 partially offset by the movement in remeasurement loss recognized on retirement plans. This caused the total comprehensive income attributable to equity holders of the Parent Company to increase by ₱38.15 billion from ₱13.50 billion for the year ended December 31, 2022 to ₱51.65 billion for the year ended December 31, 2023. Total comprehensive income attributable to non-controlling interest increased by ₱0.14 billion or 26.98%.

Market share price as of December 31, 2023 was at ₱51.30 (from ₱54.00 as of December 31, 2022) with a market capitalization of ₱230.72 billion.

2022 Performance

Financial Position

The audited consolidated total assets and total liabilities of the Metrobank Group as of December 31, 2022 stood at ₱2.84 trillion and ₱2.52 trillion, respectively. Compared with December 31, 2021, total assets and total liabilities went up by ₱340.27 billion or 13.60% and by ₱339.92 billion or 15.63%, respectively. On the other hand, equity attributable to equity holders of the Parent Company stood at ₱318.51 billion as of December 31, 2022 and 2021.

Due from BSP which represents 8.89% of the Group's total assets decreased by 0.25% on account of lower levels of term deposit and overnight facility placements maintained with BSP. Due from Other Banks increased by ₱26.64 billion or 54.56% as a result of the net movements in the balances maintained with various local and foreign banks.

Total investment securities which consisted of FVTPL, FVOCI and securities at amortized cost represents 32.07% and 31.30% of the Group's total assets as of December 31, 2022 and 2021, respectively, went up by ₱128.43 billion or 16.39%. The increase was due to the net effect of the growth in the portfolios of FVTPL and securities at amortized cost partially reduced by lower portfolio of FVOCI securities. Securities at amortized cost went up by ₱233.97 billion particularly on investments in treasury notes and bonds. FVTPL securities consist of HFT securities and derivative assets amounting to ₱39.16 billion and ₱24.44 billion, respectively, as of December 31, 2022 and ₱40.94 billion and ₱9.85 billion, respectively, as of December 31, 2021. FVOCI securities decreased by ₱118.34 billion due to lower portfolio of debt securities.

Net loans and receivables, representing 49.89% and 49.39% of the Group's total assets as of December 31, 2022 and December 31, 2021, respectively, went up by ₱182.31 billion or 14.75% contributed by the growths in all segments – corporate, commercial and consumer (particularly credit card portfolio). Property and Equipment increased by ₱1.37 billion or 5.31% due to acquisitions of various furniture, fixture and office equipment, renovations of various branches and recognition of ROU assets on new assets/properties leased in 2022. Investment Properties increased by ₱0.57 billion or 7.83% due to new foreclosures during the year. Other Assets decreased by ₱1.39 billion or 11.38% from ₱12.25 billion to ₱10.86 billion primarily due to the net movements in miscellaneous assets and software cost.

Deposit liabilities represent 88.32% and 88.75% of the consolidated total liabilities of the Group as of December 31, 2022 and 2021, respectively, wherein, low cost deposits represent 66.61% and 75.78% of the Group's total deposits, respectively. The Group's deposit level, sourced by the Bank, PSBank and MBCL reached ₱2.22 trillion as of December 31, 2022, an increase of ₱290.84 billion or 15.07% from ₱1.93 trillion as of December 31, 2021 on account of the growth in time deposits by ₱277.37 billion and CASA deposits by ₱16.83 billion partially reduced by the maturity of the ₱3.36 billion LTNCD of PSBank.

Bills Payable and SSURA went up by ₱20.99 billion or 29.84% largely on account of the ₱16.32 billion increase in SSURA and ₱4.67 billion increases in other borrowings including interbank borrowings. Derivative Liabilities which represent mark-to-market of foreign currency forwards, interest rate swaps, cross currency swaps, foreign currency options and bond futures with negative fair value increased by ₱8.52 billion or 102.0%. The increase of ₱1.11 billion or 20.48% in Manager's Checks and Demand Drafts Outstanding resulted from the normal banking operations of the Bank and PSBank. Income Taxes Payable decreased by ₱0.27 billion or 15.49%. Accrued Interest and Other Expenses went up by ₱4.10 billion or 41.57% due to the increase in interest accruals for deposit liabilities and borrowings (volume-related) and other bank expenses. Bonds payable increased by ₱8.59 billion or 10.76% due to the net effect of the ₱23.7 billion additional bonds issued in October 2022; redemption of ₱17.5 billion fixed rate bonds in April 2022; and the movement in the peso value of the USD-denominated senior unsecured notes issued by the Parent Company.

Other Liabilities increased by ₱6.53 billion or 11.36% primarily due to the increases in accounts payable, bills purchased contra account and marginal deposits.

Equity attributable to equity holders of the Parent Company stood at ₱318.51 billion as of December 31, 2022 or a very minimal movement compared with previous year. The ₱32.78 billion net income for the year reduced by the ₱13.49 billion total cash dividends paid by the Bank and the ₱19.33 billion increase in net unrealized loss recognized in investment securities at FVOCI, accounted for the minimal movement in this account.

Results of Operations

For the year ended December 31, 2022, net income attributable to equity holders of the Parent Company improved to ₱32.78 billion or by 47.93% (₱10.62 billion) from the ₱22.16 billion net income reported in previous year. The increase was driven by the following:

Interest income went up by ₱15.19 billion or 17.43% mainly due to increases in interest income on investment securities by ₱9.62 billion (due to higher volume of investment securities at amortized cost), interest income on loans and receivables by ₱4.66 billion and interest income on interbank loans receivable by ₱0.68 billion. Meanwhile, total interest expense increased by ₱4.71 billion or 38.86% due to the net effect of the higher interest expense on deposit liabilities by ₱5.92 billion and lower interest expense on borrowings by ₱1.21 billion (mainly due to maturities of various fixed rate bonds). As a result, net interest income improved by ₱10.48 billion or by 13.96%.

Other operating income of ₱26.79 billion was up by ₱0.96 billion or 3.72% from ₱25.83 billion in 2021 on account of higher fee-based income by ₱1.62 billion and profit from asset sold by ₱0.52 billion reduced by the ₱1.33 billion decrease in net trading securities and foreign exchange gain.

Total operating expenses were maintained at almost same level with previous year and increased only by ₱1.52 billion or 2.56% from ₱59.47 billion to ₱61.0 billion contributed mainly by higher compensation and fringe benefits of ₱0.86 billion or 3.41% and miscellaneous expenses of ₱1.07 billion or 6.0% on account of the increases in IT expenses and advertising and publicity. Total provision for credit and impairment losses of the Group amounted to ₱8.11 billion for the year ended December 31, 2022 or ₱3.72 billion lower compared with ₱11.83 billion provision in 2021. Provision for income tax was higher by ₱2.84 billion from ₱7.78 billion to ₱10.62 billion due to net movements in corporate, final and deferred income taxes. Provision for income taxes in 2021 included the one-time adjustments on the corporate and deferred income taxes due to the effectivity of the new tax rate under CREATE law.

Income attributable to non-controlling interests went up to ₱0.52 billion from ₱0.21 billion or by ₱0.31 billion or 150.96% due to higher net income of majority owned subsidiaries.

Total comprehensive income went up by ₱1.30 billion from ₱12.70 billion for the year ended December 31, 2021 to ₱14.0 billion for the year ended December 31, 2022 mainly due to improvement in net income reduced by the increase in net unrealized loss recognized this year on FVOCI investments. This caused the total comprehensive income attributable to equity holders of the Parent Company to increase by ₱1.20 billion from ₱12.30 billion in 2021 to ₱13.50 billion for the year ended December 31, 2022.

Market share price as of December 31, 2022 was at ₱54.0 (from ₱55.70 as of December 31, 2021) with a market capitalization of ₱242.86 billion.

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
FINANCIAL INDICATORS
AS OF DECEMBER 31, 2024 AND 2023

RATIO	FORMULA	2024	2023
a) Liquidity Ratio	Liquid Assets	46.09%	48.08%
	Total Assets		
b) Loans to Deposits Ratio	Total Loans	71.21%	65.77%
	Total Deposit Liabilities		
c) Debt to Equity Ratio	Total Liabilities	810.36%	767.71%
	Total Equity Attributable to Equity Holders of the Parent Company		
d) Asset to Equity Ratio	Total Assets	913.19%	870.54%
	Total Equity Attributable to Equity Holders of the Parent Company		
e) Return on Average Equity	Net Income Attributable to Equity Holders of the Parent Company	12.97%	12.51%
	Average Equity		
f) Return on Average Assets	Net Income Attributable to Equity Holders of the Parent Company	1.45%	1.42%
	Average Assets		
g) Net Interest Margin on Average Earning Assets	Net Interest Income	3.77%	3.90%
	Average Earning Assets		
h) Operating Efficiency Ratio	Total Operating Expenses	53.83%	52.09%
	Net Operating Income		
i) Interest Coverage Ratio	Earnings Before Interest and Taxes	195.32%	214.82%
	Interest Expense		
j) Net Profit Margin	Net Income	23.71%	23.48%
	Total Gross Income		
k) Capital Adequacy Ratio	Total Qualifying Capital	16.68%	18.28%
	Total Risk-Weighted Assets		
l) Common Equity Tier 1 Ratio	Net Tier 1 Capital	15.94%	17.44%
	Total Risk-Weighted Assets		

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

2	0	5	7	3															

COMPANY NAME

M	E	T	R	O	P	O	L	I	T	A	N		B	A	N	K		&		T	R	U	S	T		C	O	M	P	
A	N	Y						A	N	D			S	U	B	S	I	D	I	A	R	I	E	S						

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

G	T		T	o	w	e	r		I	n	t	e	r	n	a	t	i	o	n	a	l	,		6	8	1	3		
A	y	a	l	a		A	v	e	.	,		c	o	r	n	e	r		H	.	V	.		D	e	l	a		
C	o	s	t	a		S	t	.	,		B	r	g	y	.		B	e	l	-	A	i	r	,		1	2	2	7
M	a	k	a	t	i		C	i	t	y																			

Form Type

A	A	F	S

Department requiring the report

Secondary License Type, If Applicable

COMPANY INFORMATION

Company's Email Address https://www.metrobank.com.ph	Company's Telephone Number 8537-2892	Mobile Number N/A
No. of Stockholders 2,922	Annual Meeting (Month / Day) 04/23	Fiscal Year (Month / Day) 12/31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person RENATO K. DE BORJA, JR.	Email Address	Telephone Number/s 8537-2892	Mobile Number

CONTACT PERSON'S ADDRESS

NOTE 1 In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Metropolitan Bank & Trust Company
GT Tower International,
6813 Ayala Ave., corner H.V. Dela Costa St.,
Brgy. Bel-Air, Makati City

Report on the Consolidated and Parent Company Financial Statements

Opinion

We have audited the consolidated financial statements of Metropolitan Bank & Trust Company and its subsidiaries (the Group) and the parent company financial statements of Metropolitan Bank & Trust Company (the Parent Company), which comprise the consolidated and parent company statements of financial position as at December 31, 2024 and 2023, and the consolidated and parent company statements of income, consolidated and parent company statements of comprehensive income, consolidated and parent company statements of changes in equity and consolidated and parent company statements of cash flows for each of the three years in the period ended December 31, 2024, and notes to the consolidated and parent company financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated and parent company financial statements present fairly, in all material respects, the financial position of the Group and the Parent Company as at December 31, 2024 and 2023, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2024, in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements* section of our report. We are independent of the Group and the Parent Company in accordance with the 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 consolidated and parent company 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 consolidated and parent company financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and parent company 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 Consolidated and Parent Company Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and parent company 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 consolidated and parent company financial statements.

Applicable to the audit of the consolidated and parent company financial statements

Allowance for Credit Losses

The Group's and the Parent Company'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 Group's and the Parent Company's credit risk exposures; determining the method to estimate ECL; defining default; identifying exposures with significant deterioration in credit quality, taking into account extension of payment terms; determining assumptions to be used in the ECL model such as the counterparty credit risk rating, the expected life of the financial asset, expected recoveries from defaulted accounts, and impact of any financial support and credit enhancements extended by any party; and incorporating forward-looking information in calculating ECL.

Allowance for credit losses on loans and receivables as of December 31, 2024 for the Group and the Parent Company amounted to ₱46.45 billion and ₱38.63 billion, respectively. Provision for credit losses on loans and receivables of the Group and the Parent Company in 2024 amounted to ₱6.06 billion and ₱6.20 billion, respectively.

Refer to Notes 2, 3 and 15 of the financial statements for the disclosure on the details of the allowance for credit losses using the ECL model.

Audit response

We obtained an understanding of the Board-approved methodologies and models used for the Group's and the Parent Company's different credit exposures and assessed whether these considered the requirements of PFRS 9, *Financial Instruments*, to reflect an unbiased and probability-weighted outcome, and to consider time value of money and the best available forward-looking information.

We (a) assessed the Group's and the Parent Company's segmentation of credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default and significant increase in credit risk criteria against historical analysis of accounts, credit risk management policies and practices in place, and management's assessment of the impact of the coronavirus pandemic on the counterparties; (c) tested the Group's and the Parent Company's application of the internal credit risk rating system, including the impact of the coronavirus pandemic on the borrowers, by reviewing the ratings of sample credit exposures; (d) assessed whether expected life is different from the contractual life by testing the maturity dates reflected in the Group's and the Parent Company's records and considering management's assumptions regarding future collections, advances, extensions, renewals and modifications; (e) tested loss given default by inspecting historical recoveries and related costs, write-offs and collateral valuations, and the effects of any financial support and credit enhancements provided by any party; (f) tested exposure at default considering outstanding commitments and repayment scheme; (g) checked



the forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Group's and the Parent Company's lending portfolios and broader industry knowledge, including the impact of the coronavirus pandemic; and (h) tested the effective interest rate used in discounting the expected loss.

Further, we checked the data used in the ECL models by reconciling data from source system reports to the data warehouse and from the data warehouse to the loss allowance analysis/models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets of debt financial assets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis.

We 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.

Applicable to the audit of the consolidated financial statements

Recoverability of Goodwill

As of December 31, 2024, the Group has goodwill amounting to ₱4.54 billion as a result of various business acquisitions. Under PFRS, the Group is required to annually test the amount of goodwill for impairment. The Group performed the impairment testing using the cash generating unit's (CGU) fair value less costs to sell (FVLCTS). The annual impairment test is significant to our audit because the determination of the CGU's FVLCTS requires significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty. The CGU's assets include significant investments in unquoted equity shares and their fair values were determined using price-to-earnings (P/E) ratios of comparable companies and adjusted net asset valuation (NAV) method. Other assets of the CGU include investments in quoted equity shares and debt financial assets, and real properties, while liabilities include unquoted debt financial liabilities.

The disclosures relating to goodwill are included in Notes 3 and 11 to the financial statements.

Audit response

We involved our internal specialist in obtaining an understanding of the Group's impairment assessment process, including methodology and assumptions used in the assessment and in evaluating the assumptions and methodology used by the Group in determining the FVLCTS of the CGU, in particular those relating to the use of P/E ratios of comparable companies and adjusted NAV method in the valuation of the unquoted equity shares. We tested the fair value of the other assets and liabilities by referring to the quoted prices of listed equity and debt instruments, agreeing the appraised values of real estate properties to the appraisal reports, comparing the future cash flows of unquoted debt instruments to the related contracts, and comparing the discount rates used against prevailing interest rates for similar instruments. We also re-performed the calculation of the FVLCTS.



Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2024, but does not include the consolidated and parent company financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2024 are expected to be made available to us after the date of this auditor's report.

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

In connection with our audits of the consolidated and parent company financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and parent company 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 Consolidated and Parent Company Financial Statements

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

In preparing the consolidated and parent company financial statements, management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Parent Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Parent Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and parent company 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 consolidated and parent company 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 consolidated and parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and parent company financial statements, including the disclosures, and whether the consolidated and parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



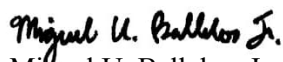
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and parent company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Supplementary Information Required Under 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 37 and Revenue Regulations No. 15-2010 in Note 38 to the financial statements is presented for purposes of filing with the BSP and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of the Parent Company. 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
Miguel U. Ballelos, Jr.

SYCIP GORRES VELAYO & CO.



Miguel U. Ballelos, Jr.

Partner

CPA Certificate No. 109950

Tax Identification No. 241-031-088

BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026

BIR Accreditation No. 08-001998-114-2025, January 8, 2025, valid until January 7, 2028

PTR No. 10465266, January 2, 2025, Makati City

February 19, 2025



METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
(In Millions)

	Consolidated	Parent Company		
	December 31			
	2024	2023	2024	2023
ASSETS				
Cash and Other Cash Items	₱33,726	₱39,431	₱31,929	₱37,692
Due from Bangko Sentral ng Pilipinas (BSP) (Notes 4 and 16)	150,128	207,807	148,945	198,061
Due from Other Banks (Note 4)	82,068	90,535	62,352	65,831
Interbank Loans Receivable and Securities Purchased Under Resale Agreements (SPURA) (Notes 4, 7 and 26)	81,287	72,979	53,906	59,186
Investment Securities at Fair Value Through Profit or Loss (FVTPL) (Notes 5 and 8)	226,302	74,856	225,923	66,501
Fair Value Through Other Comprehensive Income (FVOCI) (Notes 4, 5 and 8)	573,001	536,623	512,115	442,674
Amortized Cost (Notes 4, 5 and 8)	475,024	470,638	444,755	438,437
Loans and Receivables (Notes 4, 5 and 9)	1,816,010	1,537,166	1,577,619	1,335,336
Property and Equipment (Note 10)	28,116	27,243	20,896	20,323
Investments in Subsidiaries (Note 11)	—	—	81,407	75,894
Investments in Associates and a Joint Venture (Note 11)	6,359	6,241	597	605
Goodwill (Note 11)	4,543	4,720	—	—
Investment Properties (Notes 5 and 12)	7,805	8,107	3,565	3,597
Deferred Tax Assets (Note 28)	18,037	14,171	16,072	11,900
Other Assets (Note 14)	17,949	14,385	14,057	10,329
	₱3,520,355	₱3,104,902	₱3,194,138	₱2,766,366
LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities (Notes 16 and 32)				
Demand	₱608,370	₱586,345	₱559,133	₱536,772
Savings	879,568	853,028	832,157	807,153
Time	1,085,940	925,885	930,174	757,204
Long-Term Negotiable Certificates	—	17,514	—	12,430
	2,573,878	2,382,772	2,321,464	2,113,559
Bills Payable and Securities Sold Under Repurchase Agreements (SSURA) (Notes 5, 17 and 32)	300,652	156,896	286,541	141,081
Derivative Liabilities (Notes 5 and 8)	13,370	16,865	13,369	16,862
Manager’s Checks and Demand Drafts Outstanding	6,901	7,048	5,286	5,533
Income Taxes Payable	4,219	3,601	4,143	3,479
Accrued Interest and Other Expenses (Note 18)	23,544	19,785	19,987	15,674
Bonds Payable (Notes 5, 19 and 32)	107,236	70,089	104,858	70,089
Non-equity Non-controlling Interest (Notes 5 and 21)	—	10,260	—	—
Other Liabilities (Note 21)	94,150	70,848	52,303	42,739
	3,123,950	2,738,164	2,807,951	2,409,016

(Forward)



	Consolidated		Parent Company	
	December 31			
	2024	2023	2024	2023
EQUITY				
Equity Attributable to Equity Holders of the Parent Company				
Common stock (Note 23)	₱89,948	₱89,948	₱89,948	₱89,948
Capital paid in excess of par value (Note 23)	85,252	85,252	85,252	85,252
Treasury stock (Notes 23 and 32)	—	(70)	—	(70)
Surplus reserves (Note 24)	2,888	2,752	2,888	2,752
Surplus (Note 23)	230,314	204,896	230,314	204,896
Net unrealized losses on investment securities at FVOCI (Note 8)	(8,185)	(10,065)	(8,185)	(10,065)
Remeasurement losses on retirement plans (Notes 11 and 27)	(6,436)	(7,491)	(6,436)	(7,491)
Equity in other comprehensive income of investees (Note 11)	80	116	80	116
Translation adjustment and others (Note 11)	(8,359)	(8,673)	(7,674)	(7,988)
	385,502	356,665	386,187	357,350
Non-controlling Interest (Note 11)	10,903	10,073	—	—
	396,405	366,738	386,187	357,350
	₱3,520,355	₱3,104,902	₱3,194,138	₱2,766,366

See accompanying Notes to Financial Statements.



METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES

STATEMENTS OF INCOME

(In Millions, Except Earnings Per Share)

	Consolidated			Parent Company		
	Years Ended December 31					
	2024	2023	2022	2024	2023	2022
INTEREST INCOME ON						
Loans and receivables (Notes 9 and 32)	₱116,852	₱100,539	₱70,181	₱99,661	₱84,789	₱55,696
Investment securities at FVOCI and at amortized cost (Note 8)	50,014	43,614	25,938	45,314	37,654	22,001
Investment securities at FVTPL (Note 8)	5,030	2,058	1,776	4,901	1,921	1,671
Interbank loans receivable and securities purchased under resale agreements (SPURA) (Notes 7 and 32)	3,275	3,429	1,548	2,301	2,728	1,052
Deposits with banks and others	2,493	3,972	2,927	1,798	2,159	1,423
	177,664	153,612	102,370	153,975	129,251	81,843
INTEREST AND FINANCE CHARGES						
Deposit liabilities (Notes 16 and 32)	48,975	41,120	11,420	42,218	33,640	7,129
Bills payable and securities sold under repurchase agreements, bonds payable, subordinated debts and others (Notes 13, 17, 19, 20, 21 and 32)	14,574	7,522	5,421	13,981	6,826	4,386
	63,549	48,642	16,841	56,199	40,466	11,515
NET INTEREST INCOME	114,115	104,970	85,529	97,776	88,785	70,328
PROVISION FOR CREDIT AND IMPAIRMENT						
LOSSES (Notes 3 and 15)	6,360	8,978	8,112	6,379	6,661	5,740
NET INTEREST INCOME AFTER PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	107,755	95,992	77,417	91,397	82,124	64,588
OTHER OPERATING INCOME						
Service charges, fees and commissions (Notes 25 and 32)	16,932	16,390	15,035	13,733	13,079	11,773
Trading and securities gain/(loss) - net (Notes 8, 21 and 32)	8,904	(94)	6,401	8,582	(128)	6,534
Leasing (Notes 12, 13 and 32)	2,033	2,019	1,990	153	159	162
Income from trust operations (Notes 24 and 32)	1,195	1,220	1,541	1,145	1,173	1,494
Profit from assets sold (Notes 10, 12 and 14)	654	2,113	898	393	1,594	230
Dividends (Note 8)	161	257	198	18	19	9
Foreign exchange gain (loss) - net (Note 32)	(3,328)	4,096	(2,427)	(3,610)	3,805	(2,697)
Miscellaneous (Note 25)	2,668	2,503	3,157	1,487	1,255	1,269
	29,219	28,504	26,793	21,901	20,956	18,774
OTHER OPERATING EXPENSES						
Compensation and fringe benefits (Notes 27 and 32)	31,317	28,263	26,129	24,433	21,633	19,812
Taxes and licenses (Note 28)	13,945	11,460	8,058	12,152	9,498	6,136
Depreciation and amortization (Notes 10, 12 and 14)	6,786	6,922	5,976	4,198	4,311	3,453
Occupancy and equipment-related costs (Note 13)	2,287	1,966	1,863	1,800	1,506	1,397
Miscellaneous (Note 25)	22,826	20,911	18,970	19,133	17,115	14,915
	77,161	69,522	60,996	61,716	54,063	45,713
INCOME BEFORE SHARE IN NET INCOME OF SUBSIDIARIES, ASSOCIATES AND A JOINT VENTURE						
	59,813	54,974	43,214	51,582	49,017	37,649
SHARE IN NET INCOME OF SUBSIDIARIES, ASSOCIATES AND A JOINT VENTURE (Note 11)						
	765	875	704	6,414	5,281	4,168
INCOME BEFORE INCOME TAX	60,578	55,849	43,918	57,996	54,298	41,817
PROVISION FOR INCOME TAX (Note 28)	11,345	12,890	10,620	9,859	12,060	9,041
NET INCOME	₱49,233	₱42,959	₱33,298	₱48,137	₱42,238	₱32,776
Attributable to:						
Equity holders of the Parent Company (Note 31)	₱48,137	₱42,238	₱32,776			
Non-controlling interest (Note 11)	1,096	721	522			
	₱49,233	₱42,959	₱33,298			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 31)						
	₱10.71	₱9.39	₱7.29			

See accompanying Notes to Financial Statements.



METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME
(In Millions)

	Consolidated			Parent Company		
	Years Ended December 31					
	2024	2023	2022	2024	2023	2022
Net Income	₱49,233	₱42,959	₱33,298	₱48,137	₱42,238	₱32,776
Other Comprehensive Income for the Year, Net of Tax						
Items that may not be reclassified to profit or loss:						
Change in remeasurement gain (loss) on retirement plans (Notes 11 and 27)	1,026	(3,157)	318	1,055	(3,087)	343
Change in net unrealized gain (loss) on equity securities at FVOCI	394	256	(62)	187	135	168
	1,420	(2,901)	256	1,242	(2,952)	511
Items that may be reclassified to profit or loss:						
Change in net unrealized gain (loss) on investment in debt securities at FVOCI (Note 8)	1,385	12,685	(19,270)	1,597	12,791	(19,492)
Change in equity in other comprehensive gains (losses) of investees (Note 11)	(37)	263	(26)	(36)	261	(27)
Translation adjustment and others (Note 11)	243	(719)	(257)	314	(691)	(271)
	1,591	12,229	(19,553)	1,875	12,361	(19,790)
Total Comprehensive Income for the Year	₱52,244	₱52,287	₱14,001	₱51,254	₱51,647	₱13,497
Attributable to:						
Equity holders of the Parent Company	₱51,254	₱51,647	₱13,497			
Non-controlling interest	990	640	504			
	₱52,244	₱52,287	₱14,001			

See accompanying Notes to Financial Statements.



METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY

(In Millions)

	Consolidated											
	Equity Attributable to Equity Holders of the Parent Company										Non-controlling Interest	Total Equity
	Common Stock (Note 23)	Capital Paid In Excess of Par Value (Note 23)	Treasury Stock (Note 23)	Surplus Reserves (Note 24)	Surplus (Note 23)	Net Unrealized Loss on Investment Securities at FVOCI (Note 8)	Remeasurement Losses on Retirement Plans (Notes 11 and 27)	Equity in Other Comprehensive Income (Losses) of Investees (Note 11)	Translation Adjustment and Others (Note 11)	Total		
Balance as at January 1, 2024	₱89,948	₱85,252	(₱70)	₱2,752	₱204,896	(₱10,065)	(₱7,491)	₱116	(₱8,673)	₱356,665	₱10,073	₱366,738
Total comprehensive income (loss) for the year	—	—	—	—	48,137	1,784	1,055	(36)	314	51,254	990	52,244
Transfer to surplus reserves	—	—	—	136	(136)	—	—	—	—	—	—	—
Cash dividend (Note 23)	—	—	—	—	(22,487)	—	—	—	—	(22,487)	(160)	(22,647)
Realized loss on sale of equity securities at FVOCI (Note 8)	—	—	—	—	(96)	96	—	—	—	—	—	—
Acquisition of Parent Company shares by mutual fund subsidiary	—	—	(244)	—	—	—	—	—	—	(244)	—	(244)
Disposal of Parent Company shares held by mutual fund subsidiary	—	—	314	—	—	—	—	—	—	314	—	314
Balance as at December 31, 2024	₱89,948	₱85,252	₰—	₱2,888	₱230,314	(₱8,185)	(₱6,436)	₱80	(₱8,359)	₱385,502	₱10,903	₱396,405
Balance as at January 1, 2023	₱89,948	₱85,252	(₱72)	₱2,613	₱176,374	(₱23,076)	(₱4,404)	(₱145)	(₱7,982)	₱318,508	₱9,582	₱328,090
Total comprehensive income (loss) for the year	—	—	—	—	42,238	12,926	(3,087)	261	(691)	51,647	640	52,287
Transfer to surplus reserves	—	—	—	139	(139)	—	—	—	—	—	—	—
Cash dividend (Note 23)	—	—	—	—	(13,492)	—	—	—	—	(13,492)	(149)	(13,641)
Realized loss on sale of equity securities at FVOCI (Note 8)	—	—	—	—	(85)	85	—	—	—	—	—	—
Acquisition of Parent Company shares by mutual fund subsidiary	—	—	(5)	—	—	—	—	—	—	(5)	—	(5)
Disposal of Parent Company shares held by mutual fund subsidiary	—	—	7	—	—	—	—	—	—	7	—	7
Balance as at December 31, 2023	₱89,948	₱85,252	(₱70)	₱2,752	₱204,896	(₱10,065)	(₱7,491)	₱116	(₱8,673)	₱356,665	₱10,073	₱366,738
Balance as at January 1, 2022	₱89,948	₱85,252	(₱70)	₱2,442	₱157,260	(₱3,751)	(₱4,747)	(₱118)	(₱7,711)	₱318,505	₱9,227	₱327,732
Total comprehensive income (loss) for the year	—	—	—	—	32,776	(19,324)	343	(27)	(271)	13,497	504	14,001
Transfer to surplus reserves	—	—	—	171	(171)	—	—	—	—	—	—	—
Cash dividend (Note 23)	—	—	—	—	(13,492)	—	—	—	—	(13,492)	(149)	(13,641)
Realized gain on sale of equity securities at FVOCI (Note 8)	—	—	—	—	1	(1)	—	—	—	—	—	—
Acquisition of Parent Company shares by mutual fund subsidiary	—	—	(14)	—	—	—	—	—	—	(14)	—	(14)
Disposal of Parent Company shares held by mutual fund subsidiary	—	—	12	—	—	—	—	—	—	12	—	12
Balance as at December 31, 2022	₱89,948	₱85,252	(₱72)	₱2,613	₱176,374	(₱23,076)	(₱4,404)	(₱145)	(₱7,982)	₱318,508	₱9,582	₱328,090



	Parent Company									
	Common Stock (Note 23)	Capital Paid In Excess of Par Value (Note 23)	Treasury Stock (Note 23)	Surplus Reserves (Note 24)	Surplus (Note 23)	Net Unrealized Loss on Investment Securities at FVOCI (Note 8)	Remeasurement Losses on Retirement Plans (Notes 11 and 27)	Equity in Other Comprehensive Income (Losses) of Investees (Note 11)	Translation Adjustment and Others (Note 11)	Total Equity
Balance as at January 1, 2024	₱89,948	₱85,252	(₱70)	₱2,752	₱204,896	(₱10,065)	(₱7,491)	₱116	(₱7,988)	₱357,350
Total comprehensive income (loss) for the year	—	—	—	—	48,137	1,784	1,055	(36)	314	51,254
Transfer to surplus reserves	—	—	—	136	(136)	—	—	—	—	—
Cash dividend (Note 23)	—	—	—	—	(22,487)	—	—	—	—	(22,487)
Realized gain on sale of equity securities at FVOCI	—	—	—	—	(96)	96	—	—	—	—
Acquisition of Parent Company shares by mutual fund subsidiary	—	—	(244)	—	—	—	—	—	—	(244)
Disposal of Parent Company shares held by mutual fund subsidiary	—	—	314	—	—	—	—	—	—	314
Balance as at December 31, 2024	₱89,948	₱85,252	₱—	₱2,888	₱230,314	(₱8,185)	(₱6,436)	₱80	(₱7,674)	₱386,187
Balance as at January 1, 2023	₱89,948	₱85,252	(₱72)	₱2,613	₱176,374	(₱23,076)	(₱4,404)	(₱145)	(₱7,297)	₱319,193
Total comprehensive income (loss) for the year	—	—	—	—	42,238	12,926	(3,087)	261	(691)	51,647
Transfer to surplus reserves	—	—	—	139	(139)	—	—	—	—	—
Cash dividend (Note 23)	—	—	—	—	(13,492)	—	—	—	—	(13,492)
Realized gain on sale of equity securities at FVOCI	—	—	—	—	(85)	85	—	—	—	—
Acquisition of Parent Company shares by mutual fund subsidiary	—	—	(5)	—	—	—	—	—	—	(5)
Disposal of Parent Company shares held by mutual fund subsidiary	—	—	7	—	—	—	—	—	—	7
Balance as at December 31, 2023	₱89,948	₱85,252	(₱70)	₱2,752	₱204,896	(₱10,065)	(₱7,491)	₱116	(₱7,988)	₱357,350
Balance as at January 1, 2022	₱89,948	₱85,252	(₱70)	₱2,442	₱157,260	(₱3,751)	(₱4,747)	(₱118)	(₱7,026)	₱319,190
Total comprehensive income (loss) for the year	—	—	—	—	32,776	(19,324)	343	(27)	(271)	13,497
Transfer to surplus reserves	—	—	—	171	(171)	—	—	—	—	—
Cash dividend (Note 23)	—	—	—	—	(13,492)	—	—	—	—	(13,492)
Share in realized gain on sale of equity securities at FVOCI (Note 8)	—	—	—	—	1	(1)	—	—	—	—
Acquisition of Parent Company shares by mutual fund subsidiary	—	—	(14)	—	—	—	—	—	—	(14)
Disposal of Parent Company shares held by mutual fund subsidiary	—	—	12	—	—	—	—	—	—	12
Balance as at December 31, 2022	₱89,948	₱85,252	(₱72)	₱2,613	₱176,374	(₱23,076)	(₱4,404)	(₱145)	(₱7,297)	₱319,193

See accompanying Notes to Financial Statements.



METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

(In Millions)

	Consolidated			Parent Company		
	Years Ended December 31					
	2024	2023	2022	2024	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax	₱60,578	₱55,849	₱43,918	₱57,996	₱54,298	₱41,817
Adjustments for:						
Provision for credit and impairment losses (Note 15)	6,360	8,978	8,112	6,379	6,661	5,740
Depreciation and amortization (Notes 10, 12 and 14)	5,633	5,788	4,992	3,214	3,366	2,635
Unrealized market valuation loss (gain) on financial assets and liabilities at FVTPL	(1,617)	755	(4,359)	(1,643)	859	(4,651)
Gain on initial recognition of investment properties and chattel properties acquired in foreclosure (Note 25)	(877)	(836)	(1,302)	(148)	(105)	(83)
Amortization of software costs (Note 14)	1,153	1,134	984	984	945	818
Profit from assets sold (Notes 10, 11 and 12)	(654)	(2,113)	(898)	(393)	(1,594)	(230)
Share in net income of subsidiaries, associates and a joint venture (Note 11)	(765)	(875)	(704)	(6,414)	(5,281)	(4,168)
Trading and securities gain on investment securities at FVOCI (Note 8)	(1,511)	(153)	(697)	(1,331)	(87)	(676)
Amortization of discount on subordinated debts, bonds payable and lease liability (Notes 13, 19 and 20)	639	612	474	528	493	346
Dividends (Note 8)	161	(257)	(198)	(18)	(19)	(9)
Decrease (increase) in:						
Investment securities at FVTPL	(162,520)	(12,012)	68	(161,272)	(11,697)	(366)
Loans and receivables	(286,132)	(127,450)	(190,216)	(248,674)	(102,724)	(187,776)
Other assets	(4,082)	(6,436)	(1,523)	(5,415)	(6,614)	(1,160)
Increase (decrease) in:						
Deposit liabilities	191,106	161,648	290,841	207,905	175,189	277,823
Bills payable - deposit substitutes	(8)	(1,055)	(2,444)	(6)	(375)	(181)
Manager's checks and demand drafts outstanding	(147)	547	1,105	(247)	46	684
Accrued interest and other expenses	3,777	5,829	4,097	4,219	5,472	2,967
Other liabilities and non-equity non-controlling interest	23,451	6,281	7,830	12,409	5,099	7,746
Net cash generated from (used in) operations	(165,455)	96,234	160,080	(131,927)	123,932	141,276
Dividends received (Note 8)	448	257	198	18	19	9
Income taxes paid	(16,331)	(11,809)	(9,020)	(14,801)	(10,016)	(7,690)
Net cash generated from (used in) operating activities	(181,338)	84,682	151,258	(146,710)	113,935	133,595
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisitions of:						
Investment securities at FVOCI (Note 4)	(810,188)	(718,070)	(879,279)	(414,088)	(119,769)	(256,734)
Property and equipment (Note 10)	(4,253)	(3,751)	(3,116)	(2,304)	(2,181)	(1,296)
Investment securities at amortized cost (Note 4)	(8,285)	(152,360)	(240,172)	(5,347)	(150,296)	(228,167)
Proceeds from sale of:						
Investment securities at FVOCI (Notes 4 and 11)	780,109	721,065	976,907	350,339	104,631	380,525
Investment properties (Note 12)	1,313	2,800	1,526	437	2,014	491
Property and equipment (Note 10)	576	408	455	55	62	101
Equity investment (Note 11)	2,421	—	—	—	—	—
Proceeds from:						
Maturity of investment securities at amortized cost (Note 4)	2,936	2,143	6,825	—	—	164
Additional investment in subsidiary (Note 11)	—	—	—	(1,601)	—	—
Decrease (increase) in interbank loans receivable and SPURA (Note 26)	(2,485)	(1,356)	6,437	(1,819)	5,516	3,988
Cash dividends from investees (Note 11)	464	36	442	2,621	1,132	1,132
Net cash used in investing activities	(37,392)	(149,085)	(129,975)	(71,707)	(158,891)	(99,796)

(Forward)



	Consolidated			Parent Company		
	Years Ended December 31					
	2024	2023	2022	2024	2023	2022
CASH FLOWS FROM FINANCING						
ACTIVITIES (Note 26)						
Settlements of bills payable	(P5,282,830)	(P3,439,226)	(P2,697,815)	(P4,651,933)	(P2,721,810)	(P2,413,819)
Availments of bills payable and SSURA	5,426,594	3,505,855	2,721,247	4,797,399	2,786,810	2,437,942
Proceeds from issuance of bonds payable (Note 19)	57,468	–	23,523	55,041	–	23,523
Maturity of:						
Bonds payable (Note 19)	(23,717)	(18,400)	(17,500)	(23,717)	(13,750)	(17,500)
Subordinated debts (Note 20)	–	(1,170)	–	–	(1,170)	–
Cash dividends paid (Note 23)	(22,647)	(13,641)	(13,641)	(22,487)	(13,492)	(13,492)
Payment of lease liabilities (Note 13)	(2,194)	(2,121)	(1,968)	(1,384)	(1,302)	(1,115)
Proceeds from disposal of Parent Company shares by mutual fund subsidiaries (Note 32)	314	7	12	314	7	12
Acquisition of Parent Company shares by a mutual fund subsidiary (Note 23)	(244)	(5)	(14)	(244)	(5)	(14)
Net cash provided by financing activities	152,744	31,299	13,844	152,989	35,288	15,537
NET INCREASE (DECREASE) IN CASH AND						
CASH EQUIVALENTS						
	(65,986)	(33,104)	35,127	(65,428)	(9,668)	49,336
CASH AND CASH EQUIVALENTS						
AT BEGINNING OF YEAR						
Cash and other cash items	39,431	40,683	41,302	37,692	38,701	38,452
Due from BSP	207,807	252,628	253,257	198,061	215,074	199,974
Due from other banks	90,586	75,513	48,862	65,867	56,698	36,240
Interbank loans receivable and SPURA (Note 26)	63,682	65,786	56,062	58,742	59,557	46,028
	401,506	434,610	399,483	360,362	370,030	320,694
CASH AND CASH EQUIVALENTS						
AT END OF YEAR						
Cash and other cash items	33,726	39,431	40,683	31,929	37,692	38,701
Due from BSP	150,128	207,807	252,628	148,945	198,061	215,074
Due from other banks	82,136	90,586	75,513	62,414	65,867	56,698
Interbank loans receivable and SPURA (Note 26)	69,530	63,682	65,786	51,646	58,742	59,557
	P335,520	P401,506	P434,610	P294,934	P360,362	P370,030
OPERATIONAL CASH FLOWS FROM INTEREST						
	Consolidated			Parent Company		
	Years Ended December 31					
	2024	2023	2022	2024	2023	2022
Interest paid	P60,074	P44,505	P14,074	P52,483	P36,650	P9,465
Interest received	173,714	148,435	98,881	149,668	124,096	77,663

See accompanying Notes to Financial Statements.



METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Metropolitan Bank & Trust Company (the Parent Company) is a universal bank incorporated in the Philippines on April 6, 1962. The Securities and Exchange Commission (SEC) approved the renewal in November 19, 2007. The Parent Company's shares were listed with the Philippine Stock Exchange, Inc. (PSE) on February 26, 1981, as approved by the SEC in November 1980. It has a universal banking license granted by the Bangko Sentral ng Pilipinas (BSP) on August 21, 1981.

The Parent Company and its subsidiaries (the Group) are engaged in all aspects of banking, financing, leasing, real estate and stock brokering. As of December 31, 2024, the Group has 960 branches, 1,300 Automated Teller Machines (ATMs) in the branches (on-site) and 973 ATMs in other locations (off-site). As a bank, the Parent Company, which is the ultimate parent of the Group, provides products and services such as deposits, loans and trade finance, credit card products, programs and facilities, electronic banking facilities, cash management, domestic and foreign fund transfers, treasury products, remittances, institutional fund-management, private banking and trust services. The Bank temporarily changed its business address from Metrobank Plaza, Sen. Gil Puyat Avenue, Urdaneta Village, Makati City to GT Tower International, 6813 Ayala Ave., corner H.V. Dela Costa St., Brgy. Bel-Air, Makati City, effective August 14, 2023.

2. Summary of 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 at fair value through other comprehensive income (FVOCI) that have been measured at fair value.

The financial statements of the Parent Company and Philippine Savings Bank (PSBank) a subsidiary, 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 or ₱) and United States Dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated into their equivalents in PHP (see accounting policy on Foreign Currency Translation). The financial statements of these units are combined after eliminating inter-unit accounts.

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The respective functional currencies of the subsidiaries are presented under Basis of Consolidation. The financial statements are presented in PHP, and all values are rounded to the nearest million pesos (₱000,000), except when otherwise indicated.

Statement of Compliance

The financial statements of the Group and the Parent Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Presentation of Financial Statements

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position 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. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position. Income and expense are not offset in the statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and of its subsidiaries and are prepared for the same reporting period as the Parent Company using consistent accounting policies. The following are the wholly and majority-owned foreign and domestic subsidiaries of the Parent Company in 2024 and 2023 (Note 11):

Subsidiary	Principal Place of Business and Country of Incorporation	Effective Percentage of Ownership	Functional Currency
Financial Markets:			
Domestic:			
First Metro Investment Corporation (FMIC) and Subsidiaries	Philippines	99.28	PHP
PSBank	Philippines	88.38	PHP
ORIX Metro Leasing and Finance Corporation (ORIX Metro) and Subsidiaries	Philippines	59.86	PHP
Foreign:			
Metropolitan Bank (China) Ltd. (MBCL)	China	100.00	Chinese Yuan
Metropolitan Bank (Bahamas) Limited (Metrobank Bahamas)**	The Bahamas	100.00	USD
First Metro International Investment Company Limited (FMIIC) and Subsidiary	Hong Kong	100.00	Hong Kong Dollar (HKD)
Remittances:			
Metro Remittance (Hong Kong) Limited (MRHL)	Hong Kong	100.00	HKD
Metro Remittance (Singapore) Pte. Ltd. (MRSPL)	Singapore	100.00	Singapore Dollar
Metro Remittance (UK) Limited (MR UK)	United Kingdom	100.00	Great Britain Pound
First Metro Holdings USA, Inc. (formerly MR USA)	United States of America (USA)	100.00	USD
Metro Remittance (Japan) Co. Ltd. (MR Japan)	Japan	100.00	Japanese Yen
Real Estate:			
Circa 2000 Homes, Inc. (Circa)*	Philippines	100.00	PHP
Others:			
First Metro Insurance and Reinsurance Brokers Inc. (FMIRBI)	Philippines	100.00	PHP
Philbancor Venture Capital Corporation (PVCC)*	Philippines	60.00	PHP

* In process of dissolution

** In process of liquidation

All significant intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full at consolidation (Note 32). Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control is achieved where the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Consolidation of subsidiaries ceases when control is transferred out of the Group or the Parent Company. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of income and consolidated statements of comprehensive income from the date of acquisition or up to the date of disposal, as appropriate.



Changes in the Parent Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for within equity. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid (or to be paid) or received is recognized directly in equity included as part of 'Translation adjustment and others' and attributed to the owners of the Parent Company.

When a change in ownership interest in a subsidiary occurs which results in a loss of control over the subsidiary, the Parent Company:

- a. Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- b. Derecognizes the carrying amount of any non-controlling interest;
- c. Derecognizes the related other comprehensive income (OCI) recorded in equity and recycles the same to statement of income or 'Surplus';
- d. Recognizes the fair value of the consideration received;
- e. Recognizes the fair value of any investment retained;
- f. Recognizes any surplus or deficit in the statement of income; and
- g. Reclassifies the Parent Company's share of components' gains (losses) previously recognized in OCI to profit or loss or surplus, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Entity with Significant Influence over the Group

GT Capital Holdings, Inc. (GT Capital) holds 37.15% interest in the Parent Company as of December 31, 2024 and 2023 (Note 32).

Non-controlling Interest

Non-controlling interest represents the portion of profit or loss and the net assets of the funds not held by the Group and is presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to the Parent Company. Any losses applicable to the non-controlling interests in excess of the non-controlling interests are allocated against the interests of the non-controlling interest even if this results in the non-controlling interest having a deficit balance. Acquisitions of non-controlling interests are accounted for as equity transactions.

Non-equity Non-controlling Interest (Note 11)

The Group has seed capital investments in a number of funds where it is in a position to be able to control those funds. These funds are consolidated.

Non-equity non-controlling interest represents the portion of net assets of the consolidated funds not attributed, directly or indirectly, to the Parent Company and is presented separately in the liability section in the consolidated statement of financial position. This liability is accounted for at FVTPL and measured using net asset value per unit with changes recognized in 'Trading and securities gain/(loss) - net' in the consolidated statement of income.

Legal Merger between Parent Company and Subsidiary

In the parent company financial statements, the legal merger between the Parent Company and its subsidiary, with the Parent Company as the surviving entity, is accounted for as follows:

- The acquired assets and assumed liabilities are recognized at the carrying amounts in the consolidated financial statements as of the date of the legal merger;
- The difference between the carrying amount of the net assets of the subsidiary and the carrying amount of the investment in the merged subsidiary before the legal merger is recognized under "Translation adjustment and others" account in the equity section of the parent company statement of financial position; and



- The comparative financial information in the parent company financial statements for period prior to the legal merger is not restated. The financial position and results of operations of the merged subsidiary are reflected in the parent company financial statements only from the date of the legal merger.

The legal merger has no impact in the consolidated financial statements.

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 in 2024. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

*Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback**

The amendments specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right-of-use it retains. The amendments clarify:

- That the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right-of-use retained by the seller;
- The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in Appendix A of PFRS 16

*Amendments to PAS 1, *Classification of Liabilities as Current or Non-current**

The amendments clarify that:

- An entity's right to defer settlement of a liability is subject to the entity complying with future covenants, the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period
- Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period
- There is an exception to the requirement that settlement of liabilities by way of own equity instruments impacts the classification of liabilities
- Additional disclosures are required when an entity that classifies liabilities arising from loan arrangements as non-current has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within twelve months

*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 clarify:



- The characteristics of supplier finance arrangements, wherein one or more finance providers pay amounts an entity owes to its suppliers;
- Disclosure requirements about the impact of supplier finance arrangements on liabilities and cash flows, including terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those arrangements;
- In the context of quantitative liquidity risk disclosures required by PFRS 7, supplier finance arrangements are included as an example of other factors that might be relevant to disclose.

Material Accounting Policies

Foreign Currency Translation

Transactions and balances

For financial reporting purposes, the foreign currency-denominated monetary assets and liabilities in the RBU are translated in Philippine peso based on the Bankers Association of the Philippines (BAP) closing rate prevailing at the statement of financial position date and foreign currency-denominated income and expenses, at the prevailing exchange rates as at the date of transaction. Foreign exchange differences arising from revaluation and translation of foreign currency-denominated assets and liabilities are credited to or charged against operations 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 was determined.

FCDU, foreign branches and subsidiaries

As at the reporting date, the assets and liabilities of foreign branches and subsidiaries and FCDU of the Parent Company and PSBank are translated into the Parent Company's presentation currency (the PHP) at BAP closing rate prevailing at the statement of financial position date, and their income and expenses are translated at historical rate (except for the foreign subsidiaries in which the income and expenses are translated at monthly average rate). Exchange differences arising on translation are taken to the statement of comprehensive income under 'Translation adjustment and others'. Upon disposal of a foreign entity or when the Parent Company ceases to have control over the subsidiaries or upon actual remittance of FCDU profits to RBU, the deferred cumulative amount recognized in the statement of comprehensive income is recognized in the statement of income.

Fair Value Measurement

The Group measures certain financial instruments, such as derivatives, at fair value at each statement of financial position date. Fair values of financial instruments measured at amortized cost and investment properties are disclosed in Note 5.

Fair value is the 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 (that is, an exit price). 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 the most advantageous market must be accessible to the Group.

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, the price within 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.

For assets and liabilities not listed in an active market, the Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described 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 Group 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 statement of financial position date. The Group determines the policies and procedures for both recurring fair value measurement, such as financial assets and liabilities at FVTPL, and for non-recurring measurement, such as investment properties.

External valuers are involved for valuation of significant assets, such as investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. Derivatives are recognized on trade date basis. Deposits, amounts due from banks and customers and loans and receivables are recognized when cash is received by the Group 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 Group 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 Group determines the appropriate method of recognizing the 'Day 1' difference amount.

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 Group 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 Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

As a second step of its classification process, the Group assesses the contractual terms of financial assets to identify whether they pass the contractual cash flows test (SPPI test). For the purpose of the SPPI test, principal is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium or discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are SPPI. In such cases, the financial asset is required to be measured at FVTPL.

Financial assets at FVTPL

These are recorded in the statements of financial position at fair value with changes in fair value recognized in 'Trading and securities gain/(loss) - net'. Interest earned is recorded in 'Interest income' while dividend income is recorded in 'Dividends' when the right to receive payment has been established. Included in this classification are debt and equity securities which have been acquired principally for the purpose of selling or repurchasing in the near term.

Derivatives recorded at FVTPL

The Parent Company and some of its subsidiaries are counterparties to derivative contracts, such as currency forwards, currency swaps, interest rate swaps (IRS), call options, non-deliverable forwards (NDF) and other interest rate derivatives. These derivatives are entered into as a service to customers and as a means of reducing or managing their respective foreign exchange and interest rate exposures,



as well as for trading purposes. Such derivative financial instruments are initially recorded at fair value on the date at which the derivative contract is entered into and are subsequently remeasured at fair value. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting hedges) are taken directly to the statement of income and are included in 'Trading and securities gain/(loss) - net'. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Investment securities at FVOCI

Investment securities 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 investment securities at FVOCI are excluded, net of tax as applicable, from the reported earnings and are included in the statement of comprehensive income as 'Change in net unrealized gain (loss) on investment in debt securities at FVOCI' or 'Change in net unrealized gain (loss) on equity securities at FVOCI'. Debt securities at FVOCI are those that meet both of the following conditions:

- a. 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
- b. The contractual terms of the financial asset give rise on specified dates to cash flow that are SPPI on the outstanding principal amount.

The effective yield component of debt securities at FVOCI, as well as the impact of restatement on foreign currency-denominated debt securities at FVOCI is reported in the statement of income. Interest earned on holding debt securities at FVOCI are reported as 'Interest Income' using the effective interest rate (EIR) method. When the debt securities at FVOCI are disposed of, the cumulative gain or loss previously recognized in the statement of comprehensive income is recognized as 'Trading and securities gain/(loss) - net' in the statement of income. The expected credit loss (ECL) arising from impairment of such investments are recognized in OCI with a corresponding charge to 'Provision for credit and impairment losses' in the statement of income.

Equity securities designated at FVOCI are those that the Group 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 statement of income as 'Dividends' when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery 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 statement 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:

- a. These are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows; and
- b. 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 statement of financial position captions 'Due from BSP', 'Due from other banks', 'Interbank loans receivable and securities purchased under resale agreements (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 EIR 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 EIR. The amortization is included in 'Interest income' in the statement of income. Gains and losses are recognized in statement of income when these investments are derecognized or impaired, as well as through the amortization process. The ECL are recognized in the statement of income under 'Provision for credit and impairment losses'. The effects of revaluation on foreign currency-denominated investments are recognized in the statement of income.

Financial liabilities at FVTPL

These are recorded in the statements of financial position at fair value with changes in fair value recognized in 'Trading and securities gain/(loss) - net', with the exception of movements in fair value of liabilities designated at FVTPL due to changes in the Group's own credit risk. Such changes in fair value are recorded in OCI and do not get recycled to the statement of income. Interest incurred is accrued in 'Interest expense' using the EIR, taking into account any discount/premium and qualifying transaction costs being an integral part of the instrument.

Financial liabilities at amortized cost

Issued financial instruments or their components, which are not designated at FVTPL, are classified as liabilities under 'Deposit liabilities', 'Bills payable and securities sold under repurchase agreements (SSURA)', 'Bonds payable', or 'Subordinated debts' or other appropriate financial liability accounts, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, bills payable and similar financial liabilities not qualified as and not designated at FVTPL, are subsequently measured at amortized cost using the EIR 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.

Financial guarantees and undrawn loan commitments

The Group issues financial guarantees and loan commitments. Financial guarantees are those issued by the Group to creditors as allowed under existing rules and regulations whereby it guarantees third party obligations by signing as guarantor in the contract/agreement. Undrawn loan commitments and letters of credit are commitments under which over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. The 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 Group estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to financial guarantees and undrawn loan commitments is recognized in 'Miscellaneous liabilities' under 'Other liabilities'.

Derecognition of Financial Assets and Financial Liabilities

Financial assets

A financial asset (or, when applicable, a part of a financial asset or part of a group of financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired; or



- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either:
 - a. Has transferred substantially all the risks and rewards of the asset; or
 - b. Has neither transferred nor retained the risks and rewards of the asset but has transferred the control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. The extent of the Group’s continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset.

When the Group’s continuing involvement takes the form of guaranteeing the transferred asset, the extent of the Group’s continuing involvement is the lower of:

- a. The amount of the asset; and
- b. The maximum amount of the consideration received that the Group could be required to repay (‘the guarantee amount’).

When the Group’s continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the extent of the Group’s continuing involvement is the amount of the transferred asset that the Group may repurchase. However, in case of a written put option to an asset that is measured at fair value, the extent of the Group’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price. When the Group’s continuing involvement takes the form of a cash-settled option or similar provision on the transferred asset, the extent of the Group’s continuing involvement is measured in the same way as that which results from non-cash settled options.

The Group derecognizes a financial asset such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be purchased or originated credit impaired (POCI) assets.

When assessing whether or not to derecognize a loan to a customer, amongst others, the Group considers the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different as set out below, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded. The Group considers a modification substantial based on qualitative factors.

Financial assets are written off either partially or in their entirety only when the Group 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 statement of income.



Financial liabilities

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 are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

The Group considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of or greater than ten percent (10%).

Similar with financial assets, when the modification of a financial liability is not considered substantial, the Group records a modification gain or loss based on the change in cash flows discounted at the original EIR.

Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date ('repos') are not derecognized from the statement of financial position. The corresponding cash received, including accrued interest, is recognized in the statement of financial position as SSURA included in 'Bills payable and SSURA' and is considered as a loan to the Group, reflecting the economic substance of such transaction.

Conversely, securities purchased under agreements to resell at a specified future date ('reverse repos') are not recognized in the statement of financial position. The corresponding cash paid including accrued interest, is recognized in the statement of financial position 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 EIR method.

Reclassification of Financial Assets

The Group 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 Group either begins or ceases to perform an activity that is significant to its operations. The Group applies the reclassification prospectively from the reclassification date (that is, the first day of the next quarterly reporting period following the change in business model) and does not restate any previously recognized gains, losses or interest.

Impairment of Financial Assets

The Group follows the PFRS 9 loss impairment method on financial assets through a forward-looking ECL approach which covers all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts.

Overview of the ECL principles

ECL represents credit losses that reflect an unbiased and probability weighted amount which is based on reasonable and supportable information about past events, current conditions and forecasts of future economic conditions, and time value of money. The ECL allowance is based on the credit losses expected to arise on a 12-month duration if there has been no significant increase in credit risk (SICR) of the financial asset since origination. Otherwise, if a SICR is observed, then the ECL estimation is extended until the end of the life of the financial asset. The 12-month ECL represents the losses that result from default events on a financial asset which may happen within 12 months after the statement of financial position date. The Lifetime ECL on the other hand represents the losses that result from default events on a financial asset which may happen over its life. Both Lifetime ECLs and 12-month



ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The major portfolios of financial assets identified upon initial analysis of the Group's credit exposure are loan receivables, treasury accounts, and other receivables. Loan receivables may be availed by specific individuals, corporations or organizations. Hence, these portfolios can be further segmented to commercial, consumer and credit card portfolios. After segmentation, financial assets are grouped into Stage 1, Stage 2, and Stage 3 as described below.

Definition of "default" and "cure"

The Group defines a financial instrument as in default, which is fully aligned with the definition of non-performing loans that is, credit impaired, in all cases when the borrower becomes more than ninety (90) days past due on its contractual payments. As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikelihood to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (that is, to have cured) when it no longer meets any of the default criteria and has exhibited a satisfactory track record.

Treasury exposures are considered in default upon occurrence of a credit event such as but not limited to bankruptcy of counterparty, restructuring, failure to pay on agreed settlement date, or request for moratorium.

SICR

In order to determine whether an instrument is subject to 12-month or Lifetime ECL, the Group assesses whether there has been a SICR since initial recognition. The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative and qualitative factors. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's internal credit assessment, the borrower or counterparty is determined to have well-defined credit weaknesses (that is, with internal credit rating of 6 due to financial or repayment concerns or lower). These may include adverse trends or developments of financial, managerial, economic or political nature, or a significant weakness in collateral. Credit weakness may be manifested by unfavorable record or unsatisfactory characteristics or may only be potential that deserves management's close attention and may lead to significant losses or may result in collection or liquidation of the outstanding loan amount to be highly improbable. For exposures without internal credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition. The days past due (dpd) are determined by counting the number of days since the earliest elapsed due date in respect of which at least a partial payment has not been received. In subsequent reporting periods, if the credit risk of the financial asset improves over an observable period such that there is no longer a SICR since initial recognition, the Group reverts to recognizing a 12-month ECL.

Staging assessment

For non-credit-impaired financial assets:

- Stage 1 is comprised of all non-impaired financial assets which have not experienced a SICR since initial recognition. The Group recognizes a 12-month ECL for Stage 1 financial assets.
- Stage 2 is comprised of all non-impaired financial assets which have experienced a SICR since initial recognition. The Group recognizes a lifetime ECL for Stage 2 financial assets.



For credit-impaired financial assets:

- Financial assets 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 financial asset or a portfolio of financial assets. ECL for Stage 3 exposure is computed per account, taking into consideration the present value of the expected recoverable cash flows from each transaction.

Financial assets that are credit-impaired on initial recognition are classified as POCI assets. These are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted EIR. ECL is only recognized or released to the extent that there is a subsequent change in the ECLs.

Assessment of ECL on a collective basis

The Group calculates ECL either on an individual or a collective basis. The Group performs collective impairment by grouping exposures into smaller homogenous portfolios based on a combination of borrower and account characteristics. Accounts with similar risk attributes (that is, facility, security, credit rating, months-on-books, utilization and collateral type, etc.) are pooled together for calculating provisions based on the ECL models.

ECL parameters and methodologies

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

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 financial asset is modelled based on historical data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Group 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.

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.

EAD consists of the amortized cost and any accrued interest receivable. For off-balance sheet and undrawn committed amounts, EAD includes a credit conversion factor which is an estimate of any further amount to be drawn at the time of default. For the credit card business, EAD is modelled based on historical data on card limit utilization.

The Group applies a simplified ECL approach for its accounts receivables wherein the Group uses a provisioning matrix that considers historical changes in the behavior of the portfolio to predict conditions over the span of a given observation period.

The Parent Company offers credit card facilities, in which it has the right to cancel and/or reduce the facilities with one-day notice. It does not limit its exposure to credit losses to the contractual notice period, but instead, calculates ECL over a period that reflects its expectations of the customers' behavior, their likelihood of default, and its future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and expectations, the period over which ECL is calculated for these products is two (2) years. The interest rate used to discount the



ECL for credit cards is based on contractual interest rate. These rates are also used to discount future recoveries over a period of five years as these cover the cost of securing an equivalent fund. The contractual interest rate is used as discounting factor since the Parent Company estimates that this rate is reflective of the EIR.

Forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of a financial asset has increased significantly since its initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic inputs, such as growth of the gross domestic product, inflation rates, unemployment rates, interest rates and 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 reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The following economic inputs were determined to be statistically significant in measuring ECL:

- GDP growth
- Inflation rate
- Unemployment rate
- Minimum wage
- USD:PHP exchange rate
- Consumer confidence index
- Peso interest rate
- USD interest rate
- WTI crude oil price
- Business confidence index
- GVA of some industries

Debt investment securities measured at FVOCI

The ECL for debt securities at FVOCI does not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in 'Net unrealized gain (loss) on investment securities at FVOCI' as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to profit or loss upon derecognition of these financial assets.

Restructured Loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews and monitors restructured loans until derecognition to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR. The difference between the recorded value of the original loan and the present value of the restructured cash flows, discounted at the original EIR, is recognized in 'Provision for credit and impairment losses' in the statement of income. When the loan has been restructured but not derecognized, the Group also reassesses whether there has been a SICR and considers whether the assets should be classified as Stage 3. If the restructuring terms are substantially different, the loan is derecognized and a new 'asset' is recognized at fair value using the revised EIR.



Collateral Valuation of Financial Assets

Collateral, unless repossessed, is not recorded in the Group's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed every other year. However, some collaterals, for example, cash or securities relating to margining requirements, are valued daily.

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 Group expects to be entitled in exchange for those services.

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Group concluded that it is acting as a principal in all of its revenue arrangements except for certain brokerage transactions. The following specific recognition criteria must also be met before revenue is recognized.

Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers, which are divided into the following two categories:

a. Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period as the customer simultaneously receives and consumes the benefits provided by the Group. Using an output method, revenue is recognized if the Group has a right to invoice the customer for services directly corresponding to performance completed to date. These fees include investment fund fees, custodian fees, fiduciary fees, asset management fees, and income from trust operations.

b. Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party - such as commission income, underwriting fees, corporate finance fees, advisory fees and brokerage fees for the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

Discounts earned, membership fees and awards revenue on credit cards

The following table provides information about the nature and timing of the satisfaction of performance obligations for the Parent Company's credit card business including significant payment terms, and the related revenue recognition policies.

Type of Product/Service	Nature and Timing of Satisfaction of Performance Obligations, including Significant Payment Terms	Revenue Recognition under PFRS 15
Discounts earned	Charges arising from credit availments by the Parent Company's and other credit companies' cardholders when the Parent Company is acting as an acquirer. These discounts are computed based on certain agreed rates. These also include interchange income from transactions processed by other acquirers through VISA and Mastercard and fees from cash advance transactions of cardholders.	Recognized as revenue upon receipt from member establishments of charges arising from credit availments by the Parent Company's cardholders and other credit companies' cardholders when the Parent Company is acting as an acquirer.
Membership fees and dues	Periodically charged to cardholders upfront.	Deferred and recorded under 'Deferred revenue' and recognized on a straight-line basis over the period the fee entitles the cardholders to use the card.



Type of Product/Service	Nature and Timing of Satisfaction of Performance Obligations, including Significant Payment Terms	Revenue Recognition under PFRS 15
Awards revenue	The Parent Company operates a loyalty points program, which allows customers to accumulate points when they purchase from member establishments using the issued card of the Parent Company. The points accumulate and do not expire.	The Parent Company allocates a portion of the consideration received from discounts earned and interchange fees from credit cards to the reward points based on the estimated stand-alone selling prices. The amount allocated to the loyalty program is deferred, and is recognized as revenue when loyalty points are redeemed or the likelihood of the customer redeeming the loyalty points becomes remote.

Revenues outside the scope of PFRS 15

Interest income

For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as investment securities 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 adjusted carrying amount is calculated based on the original EIR. The change in carrying amount is recorded as 'Interest income'. Loan commitment fees that are likely to be drawn down are deferred (together with any incremental costs) and recognized as an adjustment to the EIR of the loan.

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 Group calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

Purchases by credit cardholders, collectible on an installment basis, are recorded at the cost of the items purchased plus a certain percentage of cost. The excess over cost is credited to 'Unearned discount' and is shown as a deduction from 'Loans and receivables' in the statement of financial position. The unearned discount is taken up to interest income over the installment terms and is computed using the EIR method.

Interbank Offered Rate (IBOR) reform Phase 2 requires, as a practical expedient, that changes to the basis for determining contractual cash flows that are necessary as a direct consequence of IBOR reform are treated as a change to a floating rate of interest provided that the transition from IBOR to a risk-free-rate (RFR) takes place on a basis that is 'economically equivalent'. To qualify as 'economically equivalent', the terms of the financial instrument must be the same before and after transition except for the changes required by IBOR reform.

For changes that are not required by IBOR reform, the Group applies judgement to determine whether they result in the financial instrument being derecognized. Therefore, as financial instruments transition from IBOR to RFRs, the Group applies judgment to assess whether the transition has taken place on an economically equivalent basis. In making this assessment, the Group considers the extent of any changes to the contractual cash flows as a result of the transition and the factors that have given rise to the changes, with consideration of both quantitative and qualitative factors. Examples of changes that are economically equivalent include changing the reference interest rate from an IBOR to an RFR, changing the reset period for days between coupons to align with the RFR, adding a fallback to automatically transition to an RFR when the IBOR ceases, and adding a fixed credit adjustment spread based on that calculated by the International Swaps and Derivatives Association or which is implicit in market forward rates for the RFR.



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.

Leasing income - Finance lease

The excess of aggregate lease rentals plus the estimated residual value over the cost of the leased equipment constitutes the unearned lease income. Residual values represent estimated proceeds from the disposal of equipment at the time lease is estimated. The unearned lease income is amortized over the term of the lease, commencing on the month the lease is executed using the EIR method.

Dividend income

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

Trading and securities gain/(loss) - net

Results arising from trading activities include all gains and losses from changes in fair value for financial assets and financial liabilities at FVTPL and gains and losses from disposal of debt securities at FVOCI.

Rental income

Rental income arising on leased properties is accounted for on a straight-line basis over the lease terms on ongoing leases and is recorded in the statement of income under 'Leasing'.

Income on receivables financed

Income on loans and receivables financed with short-term maturities is recorded in 'Interest income' and is recognized using the EIR method. Interest and finance fees on finance leases and loans and receivables financed with long-term maturities and the excess of the aggregate lease rentals plus the estimated terminal value of the leased equipment over its cost are credited to unearned discount and amortized over the term of the note or lease using the EIR method.

Cash and Cash Equivalents

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

Property and Equipment

Land is stated at cost and depreciable properties, including buildings, furniture, fixtures and equipment and leasehold improvements, are stated at cost less accumulated depreciation and amortization, and allowance for impairment losses. Such cost includes the cost of replacing part of the property and equipment when that cost is incurred, if the recognition criteria are met but excludes repairs and maintenance costs. Building under construction (BUC) is stated at cost and includes cost of construction and other direct costs. BUC is not depreciated until such time that the relevant asset is completed and put into operational use.

Depreciation is calculated on the straight-line method over the estimated useful life of the depreciable assets. Leasehold improvements are amortized over the shorter of the terms of the covering leases and the estimated useful lives of the improvements. The range of estimated useful lives of property and equipment follows:

Buildings	25 to 50 years
Furniture, fixtures and equipment	2 to 5 years
Leasehold improvements	5 to 20 years



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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use 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 under 'Profit from assets sold' in the year the asset is derecognized.

Investments in Subsidiaries, Associates and a Joint Venture (JV)

Investment in subsidiaries

Subsidiaries pertain to all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights.

Investment in associates

Associates pertain to all entities over which the Group and the Parent Company have significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investment in associates is accounted for under the equity method of accounting.

Investment in a JV

A JV is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the JV. 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. Investment in a JV is accounted for under the equity method of accounting. The Group's investment in a JV represents the 30% interest of PSBank in Sumisho Motor Finance Corporation (SMFC) (Note 11).

Upon loss of significant influence over the associate or joint control over the JV, the Group and the Parent Company measure and recognize any retained investment at its fair value. Any difference between the carrying amount of the associate or JV upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in the statement of income.

Under the equity method, investments in associates and a JV are carried in the statement of financial position at cost plus post-acquisition changes in the Group's and the Parent Company's share of the net assets of the associate or JV less allowance for impairment losses. Post-acquisition changes in the share of net assets of the associate or a JV include the share in the:

- a. Income or losses; and
- b. Unrealized gain or loss on investment securities, remeasurement of retirement plans and others.

Dividends received are treated as a reduction in the carrying values of the investments. Goodwill relating to the associate and a JV is included in the carrying value of the investment and is not amortized.



When the Group and the Parent Company increase its ownership interest in an associate or a JV that continues to be accounted for under the equity method, the cost for the additional interest is added to the existing carrying amount of the associate or JV and the existing interest in the associate or JV is not remeasured. The share in an associate or a JV's post-acquisition profits or losses is recognized in the statement of income as 'Share in net income of subsidiaries, associates and a joint venture' while its share of post-acquisition movements in the associate or JV's equity reserves is recognized directly in the statement of comprehensive income. When the share of losses in an associate or a JV equals or exceeds its interest in the associate or JV, including any other unsecured receivables, the Group and the Parent Company do not recognize further losses, unless it incurred obligations or made payments on behalf of the associate or JV which is recognized as miscellaneous liabilities. Profits and losses resulting from transactions between the Group or the Parent Company and an associate or JV are eliminated to the extent of the Group or the Parent Company's interest in the associate or JV.

Investments in subsidiaries in the separate financial statements are accounted for under the equity method similarly as investments in associates and JV. Equity in other comprehensive income (losses) of subsidiaries and changes therein are included in 'Remeasurement losses on retirement plans', 'Net unrealized gain (loss) on investment securities at FVOCI', and 'Translation adjustments and others', as appropriate, together with the Parent Company in the separate statement of financial position and statement of comprehensive income.

Investment Properties

Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured, in which case, the investment property acquired is measured at the carrying amount of 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 initial recognition of investment properties' under 'Miscellaneous income'. Foreclosed properties are classified under 'Investment properties' upon:

- a. Entry of judgment in case of judicial foreclosure;
- b. Execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or
- c. Notarization of the Deed of Dacion in case of dation in payment (*dacion en pago*).

Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation (for depreciable investment properties) and allowance for impairment losses.

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 under 'Profit from assets sold' in the year of retirement or disposal.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged to operations in the year in which the costs are incurred. Depreciation is calculated on a straight-line basis using the remaining useful lives from the time of acquisition of the investment properties based on appraisal reports but not to exceed 50 years for buildings and condominium units.

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.



Interest in Joint Operations

The Group is a party to joint operations whereby it contributed parcels of land for development into residential and commercial units. In respect of the Group's interest in the joint operations, the Group recognizes the following:

- a. The assets that it controls and the liabilities that it incurs; and
- b. The expenses that it incurs and its share of the income that it earns from the sale of units by the joint operations.

The assets contributed to the joint operations are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale (Note 14).

Chattel Mortgage Properties

Chattel mortgage properties comprise of repossessed vehicles. Chattel mortgage properties are stated at cost less accumulated depreciation and allowance for impairment losses. Depreciation is calculated on a straight-line basis using the remaining useful lives from the time of acquisition of the vehicles. The useful lives of chattel mortgage properties are estimated to be five (5) years.

Subordinated Notes

Subordinated notes issued by Special Purpose Vehicles (SPV) (presented as 'Investment in SPVs' under 'Other assets') are stated at amortized cost reduced by an allowance for credit losses. The allowance for credit losses is determined based on the difference between the outstanding principal amount and the recoverable amount which is the present value of the future cash flow expected to be received as payment for the subordinated notes.

Intangible Assets

Software costs

Software costs (presented under 'Other assets') are capitalized on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortized over three to five years on a straight-line basis. Costs associated with maintaining the computer software programs are recognized as expense when incurred. Software costs are carried at cost less accumulated amortization.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. With respect to investments in associates and a JV, goodwill is included in the carrying amounts of the investments. Following initial recognition, goodwill is measured at cost, net of allowance for impairment losses (see accounting policy on "Impairment of Non-financial Assets").

Customized System Development Cost

Customized system development cost consists of payments for customization of various banking systems. This account will be reclassified to appropriate accounts upon completion and will be depreciated and amortized from the time the asset is ready for its intended use (Note 14).

Impairment of Non-financial Assets

Property and equipment, investments in subsidiaries, associates and a JV, investment properties, chattel mortgage properties, intangible assets with finite useful lives and other assets

At each statement of financial position date, the Group 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 Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell (FVLCTS) and its value-in-



use (VIU) and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is assessed as part of the cash generating unit to which it belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to operations in the year in which it arises.

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

Intangible assets with indefinite useful lives and customized system development cost not yet available for use

Intangible assets with indefinite useful lives such as exchange trading right and customized system development cost not yet available for use are tested for impairment annually at statement of financial position date either individually or at the cash generating unit (CGU) level, as appropriate.

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 CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated, an impairment loss is recognized immediately in the statement of income. The Group uses the higher of FVLCTS and VIU using cash flow projections from financial budgets approved by the Board of Directors (BOD) in determining the recoverable amount.

Leases

Group as lessee

The Group assesses at contract inception whether a contract is, or contains a lease. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use (ROU) assets representing the right-of-use the underlying assets.

ROU assets

The Group recognizes ROU assets (included in 'Property and Equipment') at the commencement date of the lease (that is, the date the underlying asset is available for use). ROU assets are measured at cost less any accumulated depreciation and allowance for impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities



recognized and lease payments made at or before the commencement date less any lease incentives received. ROU assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Office space	2 to 30 years
ATM site and equipment	1 to 5 years

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group 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 (included in 'Interest expense on bills payable and SSURA, bonds payable, subordinated debts and others') 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 or a change in the lease payments.

The Group's lease liabilities are included in Other Liabilities (Note 21).

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office spaces and ATM sites (that is, 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 ATM site and other equipment that are considered to be of low value (that is, those with value of less than ₱250,000). Lease payments on short-term leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Residual value of leased assets and deposits on lease contracts

The residual value of leased assets, which approximates the amount of guaranty deposit paid by the lessee at the inception of the lease, is the estimated proceeds from the sale of the leased asset at the end of the lease term. At the end of the lease term, the residual value of the leased asset is generally applied against the guaranty deposit of the lessee when the lessee decides to buy the leased asset.

Group as lessor

Finance leases, where the Group transfers substantially all the risks and benefits incidental to the ownership of the leased item to the lessee, are included in the statement of financial position under 'Loans and receivables'. All income resulting from the receivable is included in 'Interest income' in the statement of income.

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the year in which they are earned.

Retirement Cost

The Group has a non-contributory defined benefit retirement plans, except for FMIIC and its subsidiary which follow the defined contribution retirement benefit plan and the Mandatory Provident Fund Scheme (MPFS). The retirement cost of the Parent Company and most of its subsidiaries is determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current year. The net defined benefit liability or asset is the aggregate of the present value of the



defined benefit obligation (DBO) at the end of the statement of financial position 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 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 plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost; and
- Net interest on the 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 the statement of income. 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 year in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the statement of income. Retirement expense is presented under 'Compensation and fringe benefits' in the statement of income.

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 the statement on income 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 Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the 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 DBO, 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 Group's right to be reimbursed of some or all of the expenditure required to settle a DBO is recognized as a separate asset at fair value when and only when reimbursement is virtually certain. Payments to the defined contribution retirement benefit plans and the MPFS are recognized as expenses when employees have rendered service entitling them to the contributions.

Equity

When the shares are sold at a premium, the difference between the proceeds and par value is credited to 'Capital paid in excess of par value', net of direct costs incurred related to the equity issuance. If 'Capital paid in excess of par value' is not sufficient, the excess is charged against 'Surplus'. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of stocks issued.

Surplus represents accumulated earnings of the Group less dividends declared.



Own equity instruments which are reacquired or Parent Company's shares acquired by its subsidiaries (treasury stock) are recognized at cost and deducted from equity. No gain or loss is recognized in the statement of income on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in 'Capital paid in excess of par value'. Voting rights related to treasury stocks are nullified and no dividends are allocated. When the stocks are retired, the Common stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to 'Capital paid in excess of par value' at the time the stocks were issued and to 'Surplus' for the remaining balance.

Provisions

Provisions are recognized when the Group 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 Group 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 in the notes to financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the notes to financial statements when an inflow of economic benefits is probable.

Income Taxes

Current taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the statement of financial position date.

Deferred taxes

Deferred tax is provided on temporary differences at the statement of financial position 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, except:

- a. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- b. In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.



Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized except:

- a. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- b. In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each statement of financial position 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 income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year 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 financial position date.

Current tax and deferred tax relating to items recognized directly in equity are recognized in OCI and not in the statement of income.

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

Earnings Per Share

Basic earnings per share is computed by dividing net income for the year attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year. The Group does not have dilutive potential common shares.

Dividends on Common Shares

Cash dividends on common shares are recognized as a liability and deducted from the equity when approved by the BOD of the Parent Company while stock dividends are deducted from equity when approved by the BOD and shareholders of the Parent Company. Dividends declared during the year but are paid or issued after the statement of financial position date are dealt with as a subsequent event.

Debt Issuance Costs

Issuance, underwriting and other related costs incurred in connection with the issuance of debt instruments are deferred and amortized over the terms of the instruments using the EIR method. Unamortized debt issuance costs are included in the related carrying amount of the debt instrument in the statement of financial position.

Capital Securities Issuance Costs

Issuance, underwriting and other related costs incurred in connection with the issuance of the capital securities are treated as a reduction of equity against 'Capital paid in excess of par value'.



Events after the Statement of Financial Position Date

Post year-end events that provide additional information about the Group's position at the statement of financial position date (adjusting event) are reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 6.

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 Parent Company and PSBank act in a fiduciary capacity such as nominee, trustee or agent.

Standards Issued but not yet Effective

New and amended standards and interpretations that are issued but not yet effective will not have a material impact on the Bank's combined 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, *Amendments to the 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 and Estimates

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

Judgments and estimates are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following are the critical judgments and key assumptions that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year:



Judgments

a. Classification of financial assets

The Group classifies its financial assets depending on the results of the SPPI test and on the business model used for managing those financial assets.

When performing the SPPI test, the Group applies judgement and evaluates relevant factors and characteristics such as the behavior and nature of contractual cash flows, its original currency denomination, the timing and frequency of interest rate repricing, contingent events that would alter the amount and/or timing of cash flows, leverage features, prepayments or extension options and other features that may modify the consideration for the time value of money.

As a second step, the Group performs business model assessment to reflect how financial assets are managed in order to generate net cash inflows based on the following factors:

- Business objectives and strategies for holding the financial assets;
- Performance measures and benchmarks being used to evaluate the Group's key management personnel accountable to the financial assets;
- Risks associated to the financial assets and the tools applied in managing those risks;
- Compensation structure of business units, including whether based on fair values changes of the investments managed or on the generated cash flows from transactions; and
- Frequency and timing of disposals.

In applying judgment, the Group also considers the circumstances surrounding the transaction as well as the prudential requirements of the BSP.

b. Consolidation of subsidiaries

The determination whether the Group has control over an investee company requires significant judgment. The Group considers that the following criteria are all met, including:

- An investor has the power over an investee;
- The investor has exposure, or rights, to variable returns from its involvement with the investee; and
- The investor has the ability to use its power over the investee to affect the amount of the investor's return.

In accordance with PFRS 10, the Group included the accounts of First Metro Save and Learn Balance Fund, Inc. (FMSALBF), First Metro Save and Learn Equity Fund, Inc. (FMSALEF), First Metro Save and Learn Dollar Bond Fund Inc. (FMSLDBF), First Metro Save and Learn Fixed Income Fund, Inc. (FMSLFIF), First Metro Philippine Equity Exchange Traded Fund, Inc. (FMPETF), First Metro Save and Learn F.O.C.C.U.S. Dynamic Fund, Inc. and First Metro Save and Learn Money Market Fund, Inc., collectively the "Funds", in its 2023 consolidated financial statements. The Group re-assessed the control conclusion for these Funds. Although the ownership is less than half of the voting power of these investees, the Group has control due to its power to direct the relevant activities of the Funds through First Metro Asset Management Inc. (FAMI), a subsidiary of FMIC, which acts as the fund manager of the Funds. Further, the Group has the exposure to variable returns from its investments and its ability to use its power over the Funds to affect their returns.

In 2024, FMIC disposed of its remaining interest on these subsidiaries as discussed in Note 11.



c. Existence of significant influence over an associate with less than 20.00% ownership

As discussed in Note 11, there are instances that an investor exercises significant influence even if its ownership is less than 20.00%. The Group applies significant judgment in assessing whether it holds significant influence over an investee and considers the following:

- Representation in the BOD or equivalent governing body of the investee;
- Participation in policy-making processes, including participation in decisions about dividends or other distributions;
- Material transactions between the investor and the investee;
- Interchange of managerial personnel;
- Joint voting agreement with other investors; or
- Provision of essential technical information.

d. Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position or disclosed in the notes to financial statements cannot be derived from active markets, these are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but when this is not feasible, a degree of judgment is required in establishing fair values. These judgments may include considerations of liquidity and volatility for longer dated derivatives (Note 5).

e. Contingencies

The Group is currently involved in legal proceedings. The estimate of the probable cost for the resolution of claims has been developed in consultation with and the aid of the outside legal counsel handling the Group's defense in this matter and is based upon an analysis of potential results. It is probable, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (Note 30).

Estimates

a. Credit losses on financial assets

The Group reviews its debt financial assets subject to ECL at least on a semi-annual basis with updating provisions made during the intervals as necessary based on the continuing analysis and monitoring of individual accounts by credit officers, as has been the case since 2020 when quarterly reviews and ECL adjustments are made in response to the changing credit environment. The measurement of credit losses under PFRS 9 across all categories of such financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining credit losses and the assessment of a SICR. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include, among others:

- Segmentation of the portfolio, where the appropriate model or ECL approach is used.
- Criteria for assessing if there has been a SICR and so allowances for debt financial assets should be measured on a lifetime ECL basis and the qualitative assessment.
 - The Group likewise performed quarterly reviews of its credit exposures to determine the occurrence of SICR notwithstanding said reprieves. For example, during the pandemic, exposures belonging to sectors widely determined to be most at-risk and non-essential (for example, tourism, entertainment and leisure, hotels and restaurants, airlines), and



projected to experience significant revenue and liquidity strain in the event of prolonged economic inactivity, were also included under Stage 2.

- Segmentation of debt financial assets when their ECL is assessed on a collective basis.
- Development of ECL models, including the various formulas and the choice of inputs. The Parent Company and the Group as a whole continuously review and calibrate their models based on the results of the model validation and regular backtesting.
- Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PDs, LGDs and EADs.
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

The gross carrying amounts of financial assets subject to ECL as of December 31, 2024 and 2023 are disclosed in Note 4, while the related allowances for expected credit losses are disclosed in Note 15. In 2024, 2023 and 2022, provision for credit losses on these financial assets amounted to ₱6.1 billion, ₱7.9 billion and ₱7.8 billion, respectively, for the Group, and ₱6.2 billion, ₱6.2 billion and ₱5.7 billion, respectively, for the Parent Company (Note 15).

b. Recognition of deferred income taxes

Deferred tax assets are recognized for all unused tax losses 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 tax assets and unrecognized deferred tax assets for the Group and the Parent Company are disclosed in Note 28.

c. Impairment of non-financial assets

The Group assesses impairment on non-financial assets (property and equipment, investments in subsidiaries, associates and a JV, investment properties, software costs, chattel mortgage properties and other assets) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group 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 Group uses the higher of FVLCTS and VIU in determining the recoverable amount of the asset. Based on the Group's impairment testing as of December 31, 2024 and 2023, allowance for impairment losses on investment in associates amounted to ₱1.5 billion and ₱1.3 billion, respectively, for the Group, and ₱101.1 million for the Parent Company.

The carrying values of the property and equipment, investments in subsidiaries, associates and a JV, investment properties, software costs, chattel mortgage properties, and other assets of the Group and the Parent Company are disclosed in Notes 10, 11, 12 and 14, respectively.



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 CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated, an impairment loss is recognized immediately in the statement of income. The recoverable amount of the CGU is determined based on FVLCTS.

The fair value of the CGU is determined using the cost approach, specifically the adjusted Net Asset Value (NAV) method. This method requires the measurement of the fair value of the individual assets and liabilities recognized in the CGU, as well as the fair value of any unrecognized assets and liabilities at the measurement date. The resulting net fair values of the assets and liabilities represent the fair value of the CGU. In determining the fair value of the CGU's net assets, the Group used the discounted cash flow method for unquoted debt financial assets/liabilities at the appropriate market rate, the price-to-earnings (P/E) valuation (in 2023), embedded value valuation model (in 2024) and adjusted NAV model for unquoted equity investments, and the appraisal reports for the valuation of real properties. Fair values of listed debt and equity securities are based on their quoted market prices. The Group applied the embedded value valuation model by adding the present value of future profits to the net asset value of the investee company and the P/E valuation model by reference to P/E ratios of listed comparable companies of the investee company. The FVLCTS calculation of the CGU is most sensitive to the P/E ratios of listed comparable companies of the investee company. In 2024 and 2023, the Group recognized impairment loss of ₱173.5 million and ₱474.3 million, respectively (Note 15). As of December 31, 2024 and 2023, the Group's goodwill amounted to ₱4.5 billion and ₱4.7 billion respectively.

4. Financial Risk and Capital Management

Introduction

The Group has exposure to the following risks from its use of financial instruments:

- a. Credit;
- b. Liquidity; and
- c. Market risks.

Risk management framework

The BOD has overall responsibility for the oversight of the Parent Company's risk management process. On the other hand, the risk management processes of the subsidiaries are the separate responsibilities of their respective BOD. Supporting the BOD in this function are certain Board-level committees such as Risk Oversight Committee (ROC), Audit Committee (AC), Executive Committee (EXCOM) and senior management committees through the Asset and Liability Committee (ALCO) among others.

The ROC, which is composed primarily of independent members of the BOD, is responsible for overseeing the Parent Company's risk infrastructure, the adequacy and relevance of risk policies, and the compliance to defined risk appetite and levels of exposure. The ROC is assisted in this responsibility by the Risk Management Group (RSK). The RSK undertakes the implementation and execution of the Parent Company's Risk Management framework which involves the identification, assessment, control, monitoring and reporting of risks.



The Parent Company and its subsidiaries manage their respective financial risks separately. The subsidiaries have their own risk management processes but are structured similar to that of the Parent Company. To a certain extent, the respective risk management programs and objectives are the same across the Group. The risk management policies adopted by the subsidiaries and affiliates are aligned with the Parent Company's risk policies. To further promote compliance with PFRS and Basel III, the Parent Company created a Risk Management Coordinating Council (RMCC) composed of risk officers of the Parent Company and its financial institution subsidiaries.

Credit Risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties, related groups of borrowers, market segments, and industry concentrations, and by monitoring exposures in relation to such limits, among others. The same is true for treasury-related activities. Each business unit is responsible for the quality of its credit portfolio and monitoring and controlling all credit risks in its portfolio. Regular reviews and audits of business units and credit processes are undertaken by the RSK and Internal Audit Group, respectively.

Management of credit risk

The Group faces potential credit risks every time it extends funds to borrowers, commits funds to counterparties, guarantees the paying performance of its clients, invests funds to issuers (for example, investment securities issued by either sovereign or corporate entities) or enter into either market-traded or over-the-counter derivatives, either through implied or actual contractual agreements (that is, on- or off-balance sheet exposures). The Parent Company manages its credit risk at various levels (that is, strategic level, portfolio level down to individual obligor or transaction) by adopting a credit risk management environment that has the following components:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit/financial assessment, risk grading and reporting, and compliance with regulatory requirements;
- Establishment of authorization limits for the approval and renewal of credit facilities;
- Limiting concentrations of exposure to counterparties and industries (for loans), and by the issuer (for investment securities);
- Utilizing the Internal Credit Risk Rating System (ICRRS) or Internal Credit Risk Rating Scorecard for Large Corporates (LCRRS) to categorize exposures according to their risk profile. The risk grading system and scorecard are used for determining loan loss provisions against credit exposures. The current risk grading framework consists of ten grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation; and
- Monitoring compliance with approved exposure limits.

Borrowers, counterparties, or groups of related accounts across the Group are aggregated and managed by the Parent Company's Institutional Banking Sector as the "Control Unit". Group Limits for conglomerates are set-up and approved to guide subsidiaries and affiliates of the Group. Consolidated exposures are regularly reported to senior management, the EXCOM, and the ROC.

Credit risk at initial recognition

The Group uses internal credit assessment and approvals at various levels to determine the credit risk of exposures at initial recognition. Assessment can be quantitative or qualitative and depends on the materiality of the facility or the complexity of the portfolio to be assessed.



Modification

In certain circumstances, the Group 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, change in interest rate and terms, principal amount, maturity date, date and amount of periodic payments and accrual of interest and charges.

On March 24, 2020, Republic Act (RA) No. 11469 or the "Bayanihan to Heal as One Act" (Bayanihan 1) was enacted declaring a state of national emergency over the entire country to control the spread of the COVID-19. Among the provisions of Bayanihan 1 is the implementation of a 30-day grace period for all loans with principal and/or interest falling due within the period of the Enhanced Community Quarantine without incurring interest on interest, on penalties, fees and other charges. Further, on September 11, 2020, RA No. 11494 or the "Bayanihan to Recover as One Act" (Bayanihan 2) was enacted and part of the provisions of the Bayanihan 2 is the implementation of a one-time 60-day grace period to be 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 interest, penalties, fees and other charges, thereby extending the maturity of said loans. In addition, Bayanihan 2 allows loans to be settled on a staggered basis without interest on interests, penalties, fees or other charges until December 31, 2020 or as may be agreed upon by both parties.

As of December 31, 2020, the impact of loan modifications as a result of the Bayanihan 1 and Bayanihan 2 Acts amounted to a loss of ₱1.7 billion for the Group and ₱1.2 billion for the Parent Company. For the year ended December 31, 2024 and 2023, total accretion arising from the accretion of the modified loans arising from the Bayanihan 1 and Bayanihan 2 Acts amounted to ₱40.1 million and ₱70.1 million, respectively, for the Group, and nil for the Parent Company.

Maximum exposure to credit risk

An analysis of the maximum credit risk exposure (net of allowance for ECL) relating to financial assets with collateral or credit enhancements is shown below:

	Consolidated							
	2024				2023			
	Maximum Exposure to Credit Risk	Fair Value of Collateral	Financial Effect of Collateral or Credit Enhancement	Net Exposure	Maximum Exposure to Credit Risk	Fair Value of Collateral	Financial Effect of Collateral or Credit Enhancement	Net Exposure
Interbank loans receivable and SPURA (Note 7)	₱1,466	₱1,499	₱1,466	₱-	₱37,666	₱37,364	₱37,344	₱322
Loans and receivables - net								
Receivables from customers								
Commercial loans	319,394	1,448,855	296,017	23,377	321,725	1,440,521	310,282	11,443
Residential mortgage loans	96,711	184,685	86,473	10,238	91,699	175,884	81,733	9,966
Auto loans	110,938	151,650	109,394	1,544	91,846	130,491	90,073	1,773
Trade loans	58,479	57,679	58,366	113	46,620	46,098	46,564	56
Others	561	468	306	255	249	1,891	201	48
	586,083	1,843,337	550,556	35,527	552,139	1,794,885	528,853	23,286
Accrued interest receivable	4,009	2,600	2,590	1,419	4,061	2,719	2,702	1,359
Sales contract receivable	20	92	20	-	29	103	29	-
	590,112	1,846,029	553,166	36,946	556,229	1,797,707	531,584	24,645
Total	₱591,578	₱1,847,528	₱554,632	₱36,946	₱593,895	₱1,835,071	₱568,928	₱24,967



	Parent Company							
	2024				2023			
	Maximum Exposure to Credit Risk	Fair Value of Collateral	Financial Effect of Collateral or Credit Enhancement	Net Exposure	Maximum Exposure to Credit Risk	Fair Value of Collateral	Financial Effect of Collateral or Credit Enhancement	Net Exposure
Interbank loans receivable and SPURA (Note 7)	P—	P—	P—	P—	P29,956	P29,634	P29,634	P322
Loans and receivables - net								
Receivables from customers								
Commercial loans	290,730	1,394,206	273,665	17,065	248,851	1,354,884	240,890	7,961
Residential mortgage loans	53,364	111,532	53,328	36	51,484	110,731	51,464	20
Auto loans	22,971	54,007	22,515	456	20,706	47,257	20,272	434
Trade loans	58,479	57,679	58,366	113	46,620	46,098	46,564	56
Others	421	223	202	219	120	111	72	48
	425,965	1,617,647	408,076	17,889	367,781	1,559,081	359,262	8,519
Accrued interest receivable	1,689	1,658	1,648	41	1,734	1,697	1,679	55
Sales contract receivable	16	84	16	—	23	83	23	—
	427,670	1,619,389	409,740	17,930	369,538	1,560,861	360,964	8,574
Total	P427,670	P1,619,389	P409,740	P17,930	P399,494	P1,590,495	P390,598	P8,896

The maximum exposure to credit risks for the other financial assets is limited to their carrying values as of December 31, 2024 and 2023.

Collaterals on loans and receivables includes real estate and chattel mortgages, guarantees, and other registered securities over assets. Generally, collateral is not held over loans and advances to banks, except for reverse repurchase agreements and certain due from other banks. Collateral usually is not held against investment securities, and no such collateral was held as of December 31, 2024 and 2023. Estimates of fair values of the collateral are based on the value of collateral assessed at the time of borrowing and are regularly updated according to internal lending policies and regulatory guidelines. The Group is not permitted to sell or repledge the collateral in the absence of default by the counterparty.

The following tables show the effect of rights of set-off associated with the recognized financial assets and financial liabilities:

	Gross Carrying Amounts (before Offsetting)	Gross Amounts Offset in Accordance with the Offsetting Criteria	Net Amount Presented in Statement of Financial Position	Effect of Remaining Rights of Set-Off (including Rights to Set-off Financial Collateral) Not Meeting Offsetting Criteria		Net Exposure
				Financial Instruments	Fair Value of Financial Collateral	
Financial assets recognized by type						
Consolidated						
2024						
Derivative assets	₱550,770	₱530,685	₱20,085	₱5,691	₱—	₱14,394
SPURA	1,466	—	1,466	—	1,466	—
	₱552,236	₱530,685	₱21,551	₱5,691	₱1,466	₱14,394
2023						
Derivative assets	₱544,723	₱522,887	₱21,836	₱6,949	₱—	₱14,887
SPURA	37,666	—	37,666	—	37,344	322
	₱582,389	₱522,887	₱59,502	₱6,949	₱37,344	₱15,209
Parent Company						
2024						
Derivative assets	₱550,769	₱530,685	₱20,084	₱5,691	₱—	₱14,393
SPURA	—	—	—	—	—	—
	₱550,769	₱530,685	₱20,084	₱5,691	₱—	₱14,393
2023						
Derivative assets	₱544,723	₱522,887	₱21,836	₱6,949	₱—	₱14,887
SPURA	29,956	—	29,956	—	29,634	322
	₱574,679	₱522,887	₱51,792	₱6,949	₱29,634	₱15,209



	Gross Carrying Amounts (before Offsetting)	Gross Amounts Offset in Accordance with the Offsetting Criteria	Net Amount Presented in Statement of Financial Position	Effect of Remaining Rights of Set-Off (including Rights to Set-off Financial Collateral) Not Meeting Offsetting Criteria		Net Exposure
				Financial Instruments	Fair Value of Financial Collateral	
Financial liabilities recognized by type						
Consolidated						
2024						
Derivative liabilities	₱422,684	₱409,387	₱13,297	₱5,691	₱—	₱7,606
SSURA	276,628	—	276,628	—	276,628	—
	₱699,312	₱409,387	₱289,925	₱5,691	₱276,628	₱7,606
2023						
Derivative liabilities	₱640,585	₱623,970	₱16,615	₱6,949	₱—	₱9,666
SSURA	134,800	—	134,800	—	134,800	—
	₱775,385	₱623,970	₱151,415	₱6,949	₱134,800	₱9,666
Parent Company						
2024						
Derivative liabilities	₱422,684	₱409,387	₱13,297	₱5,691	₱—	₱7,606
SSURA	276,628	—	276,628	—	276,628	—
	₱699,312	₱409,387	₱289,925	₱5,691	₱276,628	₱7,606
2023						
Derivative liabilities	₱640,584	₱623,970	₱16,614	₱6,949	₱—	₱9,665
SSURA	132,234	—	132,234	—	132,234	—
	₱772,818	₱623,970	₱148,848	₱6,949	₱132,234	₱9,665

Excessive risk concentration

Credit risk concentrations can arise whenever a significant number of borrowers have similar characteristics and are affected similarly by changes in economic or other conditions. The Parent Company analyzes the credit risk concentration to an individual borrower, related group of accounts, industry, internal rating buckets, and security. For risk concentration monitoring purposes, the financial assets are broadly categorized into (1) loans and receivables and (2) trading and financial investment securities. To mitigate risk concentration, the Parent Company constantly checks for breaches in regulatory and internal limits.

Concentration of risks of financial assets with credit risk exposure

Below is an analysis of concentrations of credit risk at the statement of financial position date based on carrying amount:

	Consolidated				
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Others***	Total
2024					
Concentration by Industry					
Financial and insurance activities	₱222,498	₱313,612	₱141,109	₱7,634	₱684,853
Activities of households as employers and undifferentiated goods and services and producing activities of households for own use	274,048	—	—	332,364	606,412
Real estate activities	329,058	—	—	11,431	340,489
Wholesale and retail trade, repair of motor vehicles, motorcycles	268,149	—	—	31,189	299,338
Manufacturing	204,420	—	1,151	16,387	221,958
Transportation and storage, information and communication	241,964	—	1,020	2,427	245,411
Electricity, gas, steam and air-conditioning supply and water supply, sewerage, waste management and remediation activities	146,103	—	—	5,482	151,585

(Forward)



Consolidated					
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Others***	Total
Construction	₱72,652	₱—	₱—	₱25,966	₱98,618
Agricultural, forestry and fishing	21,877	—	—	752	22,629
Accommodation and food service activities	13,922	—	—	14	13,936
Others****	67,773	—	903,005	16,478	987,256
	1,862,464	313,612	1,046,285	450,124	3,672,485
Less allowance for credit losses	46,454	129	321	3,950	50,854
	₱1,816,010	₱313,483	₱1,045,964	₱446,174	₱3,621,631
Concentration by Location					
Philippines	₱1,742,572	₱152,514	₱952,575	₱410,836	₱3,258,497
Asia	118,489	115,667	69,206	39,247	342,609
USA	1,223	11,069	19,537	41	31,870
Europe	53	15,639	448	—	16,140
Others	127	18,723	4,519	—	23,369
	1,862,464	313,612	1,046,285	450,124	3,672,485
Less allowance for credit losses	46,454	129	321	3,950	50,854
	₱1,816,010	₱313,483	₱1,045,964	₱446,174	₱3,621,631
2023					
Concentration by Industry					
Financial and insurance activities	₱212,475	₱371,408	₱100,390	₱16,803	₱701,076
Activities of households as employers and undifferentiated goods and services and producing activities of households for own use	234,489	—	—	276,846	511,335
Real estate activities	296,359	—	153	3,456	299,968
Wholesale and retail trade, repair of motor vehicles, motorcycles	212,339	—	—	28,298	240,637
Manufacturing	188,960	—	933	15,140	205,033
Transportation and storage, information and communication	168,863	—	—	2,326	171,189
Electricity, gas, steam and air-conditioning supply and water supply, sewerage, waste management and remediation activities	117,366	—	23	2,511	119,900
Construction	64,405	—	—	16,618	81,023
Agricultural, forestry and fishing	23,242	—	—	796	24,038
Accommodation and food service activities	17,620	—	—	18	17,638
Others****	52,642	—	904,217	17,856	974,715
	1,588,760	371,408	1,005,716	380,668	3,346,552
Less allowance for credit losses	51,594	87	375	10,772	62,828
	₱1,537,166	₱371,321	₱1,005,341	₱369,896	₱3,283,724
Concentration by Location					
Philippines	₱1,494,421	₱243,012	₱918,101	₱342,739	₱2,998,273
Asia	93,780	100,653	72,767	37,839	305,039
USA	450	12,733	4,070	90	17,343
Europe	19	12,748	883	—	13,650
Others	90	2,262	9,895	—	12,247
	1,588,760	371,408	1,005,716	380,668	3,346,552
Less allowance for credit losses	51,594	87	375	10,772	62,828
	₱1,537,166	₱371,321	₱1,005,341	₱369,896	₱3,283,724
Parent Company					
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Others***	Total
2024					
Concentration by Industry					
Financial and insurance activities	₱215,819	₱265,320	₱66,403	₱7,166	₱554,708
Activities of households as employers and undifferentiated goods and services and producing activities of households for own use	181,257	—	—	332,364	513,621
Real estate activities	287,644	—	—	11,402	299,046
Wholesale and retail trade, repair of motor vehicles, motorcycles	236,300	—	—	31,189	267,489
Manufacturing	200,862	—	1,150	16,387	218,399
Transportation and storage, information and communication	239,756	—	1,020	2,427	243,203
Electricity, gas, steam and air-conditioning supply and water supply, sewerage, waste management and remediation activities	143,937	—	—	5,482	149,419

(Forward)



	Parent Company				
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Others***	Total
Construction	₱47,870	₱—	₱—	₱25,966	₱73,836
Agricultural, forestry and fishing	20,930	—	—	752	21,682
Accommodation and food service activities	13,628	—	—	13	13,641
Others****	28,246	—	887,560	563	916,369
	1,616,249	265,320	956,133	433,711	3,271,413
Less allowance for credit losses	38,630	117	310	3,875	42,932
	₱1,577,619	₱265,203	₱955,823	₱429,836	₱3,228,481
Concentration by Location					
Philippines	₱1,584,033	₱151,795	₱890,066	₱409,958	₱3,035,852
Asia	30,824	68,408	41,573	23,714	164,519
USA	1,221	10,844	19,537	39	31,641
Europe	51	15,632	448	—	16,131
Others	120	18,641	4,509	—	23,270
	1,616,249	265,320	956,133	433,711	3,271,413
Less allowance for credit losses	38,630	117	310	3,875	42,932
	₱1,577,619	₱265,203	₱955,823	₱429,836	₱3,228,481
2023					
Concentration by Industry					
Financial and insurance activities	₱207,214	₱323,147	₱2,614	₱16,355	₱549,330
Activities of households as employers and undifferentiated goods and services and producing activities of households for own use	156,815	—	—	276,846	433,661
Real estate activities	244,565	—	—	3,431	247,996
Wholesale and retail trade, repair of motor vehicles, motorcycles	196,922	—	—	28,298	225,220
Manufacturing	185,950	—	782	15,140	201,872
Transportation and storage, information and communication	162,323	—	—	2,326	164,649
Electricity, gas, steam and air-conditioning supply and water supply, sewerage, waste management and remediation activities	115,320	—	—	2,511	117,831
Construction	45,941	—	—	16,619	62,560
Agricultural, forestry and fishing	21,978	—	—	796	22,774
Accommodation and food service activities	17,397	—	—	18	17,415
Others****	21,873	—	877,216	716	899,805
	1,376,298	323,147	880,612	363,056	2,943,113
Less allowance for credit losses	40,962	69	361	10,691	52,083
	₱1,335,336	₱323,078	₱880,251	₱352,365	₱2,891,030
Concentration by Location					
Philippines	₱1,351,525	₱230,887	₱826,590	₱341,802	₱2,750,804
Asia	24,247	64,825	39,184	21,166	149,422
USA	449	12,541	4,070	88	17,148
Europe	6	12,741	884	—	13,631
Others	71	2,153	9,884	—	12,108
	1,376,298	323,147	880,612	363,056	2,943,113
Less allowance for credit losses	40,962	69	361	10,691	52,083
	₱1,335,336	₱323,078	₱880,251	₱352,365	₱2,891,030

* Comprised of due from BSP, due from other banks and interbank loans receivable and SPURA.

** Comprised of debt securities at FVOCI and investment securities at amortized cost.

*** Comprised of applicable accounts under other assets, financial guarantees and loan commitments and other credit-related liabilities.

**** Comprised of loans and investments to the National Government.

Credit quality per class of financial assets

The credit quality of financial assets is assessed and managed using external and internal ratings (applying ICRRS or LCRRS).

The ICRRS contains the following:

- Borrower Risk Rating (BRR) - an assessment of the credit worthiness of the borrower (or guarantor) without considering the type or amount of the facility and security arrangements. It is an indicator of the probability that a borrower cannot meet its credit obligations when they fall due. The components of the assessment are described below:

Component	Description
Financial Condition	Refers to the financial condition of the borrower based on audited financial statements as indicated by certain financial ratios. The Financial Factor Evaluation is conducted manually.
Industry Analysis	Refers to the prospects of the industry, as well as the company's performance and position in the industry.
Management Quality	Refers to the management's ability to run the company successfully.



- b. Adjusted Borrower Risk Rating – takes into consideration risk rating downgrade due to red flags such as financial deterioration, poor account performance, industry weakness, ownership/management issue, adverse news, etc., or upgrade depending on the type of support granted.

Loans and receivables

The credit quality is generally monitored using the 10-grade ICRRS, which is integrated in the credit process. The assessment of the borrower's risk rating is performed by the Credit Group and validated by RSK to maintain accurate and consistent risk ratings across the credit portfolio. For commercial loans, the credit quality with the corresponding grade and description follows:

High Grade

1 - Excellent

An excellent rating is given to a borrower with a very low probability of going into default and with high degree of stability, substance and diversity. Borrower has access to raise substantial amounts of funds through public market at any time; very strong debt service capacity and has conservative balance sheet ratios. Track record in profit terms is very good. Borrower exhibits highest quality under virtually all economic conditions.

2 - Strong

This rating is given to borrowers with low probability of going into default in the coming year. Normally has a comfortable degree of stability, substance and diversity. Under normal market conditions, borrower has good access to public markets to raise funds. Have a strong market and financial position with a history of successful performance. Overall debt service capacity is deemed very strong; critical balance sheet ratios are conservative. Concerned multinationals or local corporations are well capitalized.

Standard Grade

3 - Good

This rating is given to smaller corporations with limited access to public capital markets or to alternative financial markets during favorable economic and/or market conditions. As it bears characteristics of some degree of stability and substance, probability of default is quite low. However, susceptibility to cyclical changes and more concentration of business risk, by product or market, may be present. Typical is the combination of comfortable asset protection and an acceptable balance sheet structure. Debt service capacity is strong.

4 - Satisfactory

A 'satisfactory' rating is given to a borrower where clear risk elements exist and probability of default is somewhat greater. Due to volatility of earnings and overall performance, borrower normally has limited access to public markets. Borrower should be able to withstand normal business cycles, but any prolonged unfavorable economic period would create deterioration beyond acceptable levels. With the combination of reasonable sound asset and cash flow protection, the debt service capacity is adequate. Reported profits in the past year and is expected to report a profit in the current year.



5 - Acceptable

An 'acceptable' rating is given to a borrower whose risk elements are sufficiently pronounced although borrower should still be able to withstand normal business cycles. Any prolonged unfavorable economic and/or market period would create an immediate deterioration beyond acceptable levels. Risk is still acceptable as there is sufficient cash flow either historically or expected in the future from new business or projected finance transaction; an existing borrower where the nature of the exposure represents a higher risk because of extraordinary developments but for which a decreasing risk within an acceptable period can be expected.

Watchlist Grade

5 - Watchlist

This rating is given to a borrower that belongs to an unfavorable industry or has company-specific risk factors which represent a concern. Operating performance and financial strength may be marginal and it is uncertain if borrower can attract alternative course of finance.

6 - Watchlist

Borrower finds it hard to cope with any significant economic downturn and a default in such a case is more than a possibility. Credit exposure is not at risk of loss at the moment but performance of the borrower has weakened which, unless present trends are reversed, could lead to losses.

Classified Grade

6 - Especially Mentioned

Borrower encounters difficulty to cope with any significant economic downturn and exhibits deteriorating performance that deserve management's close attention. Such deterioration, if left uncorrected, may lead to losses.

7 - Especially Mentioned

This rating is given to a borrower that exhibits pronounced weaknesses that deserve management's close attention. These potential weaknesses, if left uncorrected, may affect the repayment of the loan and thus, increase credit risk of the Group. Classification can be worsened if borrower is endorsed to Special Accounts Management Group for collection.

8 - Substandard

These are loans or portions thereof which appear to involve a substantial and unreasonable degree of risk to the Group because of unfavorable record or unsatisfactory characteristics. There exists the possibility of future losses to the Group unless given closer supervision. Borrower has well-defined weaknesses or weaknesses that jeopardize loan liquidation. Such well-defined weaknesses may include adverse trends or development of financial, managerial, economic or political nature, or a significant weakness in collateral.

9 - Doubtful

This rating is given to a nonperforming borrower whose loans or portions thereof have the weaknesses inherent in those classified as Substandard, with the added characteristics that existing facts, conditions, and values make collection or liquidation in full, highly improbable and in which substantial loss is probable.

10 - Loss

This rating is given to a borrower whose loans or portions thereof are considered uncollectible or worthless and of such little value that their continuance as bankable assets is not warranted although the loans may have some recoveries or salvage value. The amount of loss is difficult to measure and it is not practical or desirable to defer writing off these basically worthless assets even though partial recovery may be obtained in the future.



The credit quality of consumer loan applicants is currently evaluated using quantitative and qualitative criteria. For booked consumer loans, the description of credit quality is as follows:

High Grade

Good credit rating

This rating is given to a good repeat client with very satisfactory track record of its loan repayment (paid at least 50.00%) and whose account did not turn past due during the entire term of the loan.

Standard Grade

Good

A good rating is given to accounts which did not turn past due for 90 days and over.

Limited

This rating is given to borrowers who have average track record on loan repayment (paid less than 50.00%) and whose account did not turn past due for 90 days and over.

Substandard Grade

Poor

A poor rating is given to accounts who reached 90 days past due regardless of the number of times and the number of months past due.

Poor litigation

This rating is given to accounts that were past due for 180 days and over and are currently being handled by lawyers.

Impaired

Poor repossessed

This rating is given to accounts whose collaterals were repossessed.

Poor written-off

This rating is given to accounts that were recommended for write-off.

For booked credit card receivables, the description of credit quality is as follows:

Excellent

These are customers that have exhibited the best payment behavior and are generally those without history of past due which have been paying the outstanding balance in full over a period of twelve (12) months.

Very Satisfactory

These are customers that have exhibited the good payment behavior and are generally those without history of past due but could have revolved over a period of twelve (12) months.

Satisfactory

These are customers that have shown history of past due but not impaired, and are still within the average level of the credit card portfolio which remains to be profitable.



Poor

These are customers that are past due but not yet impaired and could still be cured by collection mitigation strategies.

Default

These are customers that are already impaired. Recovery strategies are needed to reduce exposure to these customers.

Investment securities

In ensuring quality investment portfolio, the Group uses the credit risk rating from the published data providers like Moody's, Standard & Poor's (S&P) or other reputable rating agencies. The following indicates the levels of equivalent credit quality and its relevant external rating:

Credit Quality	External Rating								
High grade	Aaa	Aa1	Aa2	A1	A2	A3	Baa1	Baa2	Baa3
Standard grade	Ba1	Ba2	Ba3	B1	B2				
Substandard grade	B3	Caa1	Caa2	Caa3	Ca	C			
Impaired	D								

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to those rated by external rating agencies as 'Investment grade' (that is, those under High grade in the table above).

The following table shows the credit quality of loans and advances to banks, gross of allowance for credit losses, as of December 31, 2024 and 2023. All loans and advances to banks are classified as Stage 1 in 2024 and 2023.

	Consolidated		Parent Company	
	2024	2023	2024	2023
Due from BSP				
High grade	₱150,128	₱207,807	₱148,945	₱198,061
Due from other banks				
High grade	81,004	88,782	61,856	64,884
Standard grade	552	1,002	497	962
Unrated	580	802	61	22
	82,136	90,586	62,414	65,868
Interbank loans receivable and SPURA				
High grade	81,348	73,015	53,961	59,219
Total loans and advances to banks				
High grade	312,480	369,604	264,762	322,164
Standard grade	552	1,002	497	962
Unrated	580	802	61	22
	₱313,612	₱371,408	₱265,320	₱323,148

As of December 31, 2024 and 2023, availments of interbank loans and SPURA amounted to ₱81.3 billion and ₱73.0 billion, respectively, for the Group, and ₱53.9 billion and ₱59.2 billion, respectively, for the Parent Company while maturities of interbank loans and SPURA amounted to ₱73.0 billion and ₱73.8 billion, respectively, for the Group, and ₱59.2 billion and ₱65.5 billion, respectively, for the Parent Company. As of December 31, 2024 and 2023, net decrease in due from BSP amounted to (₱57.7 billion) and (₱44.8 billion), respectively, for the Group, and (₱49.1 billion) and (₱17.0 billion), respectively, for the Parent Company, and net increase/(decrease) in due from other banks amounted to (₱8.5 billion) and ₱15.1 billion, respectively, for the Group, and (₱3.5 billion) and ₱9.2 billion, respectively, for the Parent Company.



The following table shows the credit quality of investment securities, gross of allowance for credit losses, as of December 31, 2024 and 2023. All investment securities are classified as Stage 1 in 2024 and 2023.

	Consolidated		Parent	
	2024	2023	2024	2023
Debt securities at FVOCI				
Treasury notes and bonds				
High grade	₱372,967	₱366,864	₱350,919	₱360,273
Treasury bills				
High grade	719	355	–	–
Government				
High grade	101,896	71,444	99,832	71,289
Private				
High grade	29,607	43,518	3,374	10,252
Standard grade	339	1,633	–	–
	29,946	45,151	3,374	10,252
BSP				
High grade	65,412	50,889	56,943	–
Total debt securities at FVOCI				
High grade	570,601	533,070	511,068	441,814
Standard grade	339	1,633	–	–
	570,940	534,703	511,068	441,814
Investment securities at amortized cost				
Government				
High grade	55,926	49,790	44,603	38,378
Private				
High grade	173	415	–	–
Standard grade	1,076	2,652	–	–
	1,249	3,067	–	–
Treasury bills				
High grade	–	288	–	–
Treasury notes and bonds				
High Grade	418,170	417,868	400,462	400,420
Total investment securities at amortized cost				
High grade	474,269	468,361	445,065	438,798
Standard grade	1,076	2,652	–	–
	475,345	471,013	445,065	438,798
Total debt investment securities				
High grade	1,044,870	1,001,431	956,133	880,612
Standard grade	1,415	4,285	–	–
	₱1,046,285	₱1,005,716	₱956,133	₱880,612

As of December 31, 2024 and 2023, purchases of investment in debt securities at FVOCI amounted to ₱810.2 billion and ₱718.1 billion, respectively, for the Group, and ₱415.7 billion and ₱119.8 billion, respectively, for the Parent Company. Proceeds from disposals/maturities amounted to ₱780.1 billion and ₱721.1 billion, respectively, for the Group, and ₱350.3 billion and ₱104.6 billion, respectively, for the Parent Company. Other movements, which include amortization of premiums/discounts, mark-to-market and foreign exchange revaluations, resulted in a increase in carrying value of debt securities at FVOCI as of December 31, 2024 and 2023 amounting to ₱6.3 billion and ₱9.1 billion, respectively, for the Group, and ₱4.1 billion and ₱34.2 billion, respectively, for the Parent Company.

As of December 31, 2024 and 2023, purchases of investment securities at amortized cost amounted to ₱8.3 billion and ₱152.4 billion, respectively, for the Group, and ₱5.3 billion and ₱150.3 billion, respectively, for the Parent Company, while proceeds from maturities amounted to ₱2.9 billion and ₱2.1 billion, respectively, for the Group, and nil, for the Parent Company. Other movements, which include amortization of premiums/discounts and foreign exchange revaluations, resulted in an increase/(decrease) in carrying value of investment securities at amortized cost as of December 31, 2024 and 2023 amounting to (₱1.0 billion) and ₱2.5 billion, respectively, for the Group, and ₱1.0 billion and ₱3.0 billion, respectively, for the Parent Company.



The credit quality of receivables from customers, net of unearned discount and capitalized interest, as of December 31, 2024 and 2023 follow:

	Consolidated			
	Stage 1	Stage 2	Stage 3	Total
2024				
Commercial loans				
High grade	₱272,707	₱-	₱-	₱272,707
Standard grade	1,009,399	3,339	-	1,012,738
Watchlist grade	461	49,873	-	50,334
Classified grade	-	6,310	-	6,310
Sub-standard grade	5	536	-	541
Unrated	-	28	-	28
Non-performing individually impaired	-	-	17,515	17,515
	1,282,572	60,086	17,515	1,360,173
Residential mortgage loans				
High grade	38,949	-	-	38,949
Standard grade	44,827	578	-	45,405
Sub-standard grade	6,000	4,446	-	10,446
Unrated	-	1,187	-	1,187
Non-performing individually impaired	-	-	1,871	1,871
	89,776	6,211	1,871	97,858
Auto loans				
High grade	74,349	5	-	74,354
Standard grade	29,438	85	-	29,523
Sub-standard grade	20	3,771	-	3,791
Unrated	-	3,625	-	3,625
Non-performing individually impaired	-	-	2,590	2,590
	103,807	7,486	2,590	113,883
Credit card				
Standard grade	150,087	-	-	150,087
Sub-standard grade	-	3,209	-	3,209
Non-performing individually impaired	-	-	4,649	4,649
	150,087	3,209	4,649	157,945
Trade loans				
High grade	15,728	-	-	15,728
Standard grade	51,596	174	-	51,770
Watchlist Grade	-	151	-	151
Classified grade	-	198	-	198
Non-performing individually impaired	-	-	464	464
	67,324	523	464	68,311
Other loans				
High grade	13,886	-	-	13,886
Standard grade	1,504	-	-	1,504
Sub-standard grade	9	1,261	-	1,270
Unrated	6	24	-	30
Non-performing individually impaired	-	-	243	243
	15,405	1,285	243	16,933
Total receivables from customers				
High grade	415,619	5	-	415,624
Standard grade	1,286,851	4,176	-	1,291,027
Watchlist grade	461	50,024	-	50,485
Classified grade	-	6,508	-	6,508
Sub-standard grade	6,034	13,223	-	19,257
Unrated	6	4,864	-	4,870
Non-performing individually impaired	-	-	27,332	27,332
	₱1,708,971	₱78,800	₱27,332	₱1,815,103



	Consolidated			
	Stage 1	Stage 2	Stage 3	Total
2023				
Commercial loans				
High grade	₱227,911	₱—	₱—	₱227,911
Standard grade	854,407	802	—	855,209
Watchlist grade	16,325	17,369	—	33,694
Classified grade	—	28,726	—	28,726
Sub-standard grade	—	464	—	464
Unrated	—	138	—	138
Non-performing individually impaired	—	—	17,860	17,860
	1,098,643	47,499	17,860	1,164,002
Residential mortgage loans				
High grade	22,081	13,471	—	35,552
Standard grade	41,221	586	—	41,807
Sub-standard grade	7,414	5,207	—	12,621
Unrated	—	1,268	—	1,268
Non-performing individually impaired	—	—	2,203	2,203
	70,716	20,532	2,203	93,451
Auto loans				
High grade	66,679	65	—	66,744
Standard grade	20,438	496	—	20,934
Sub-standard grade	144	2,251	—	2,395
Unrated	—	3,382	—	3,382
Non-performing individually impaired	—	—	2,906	2,906
	87,261	6,194	2,906	96,361
Credit card				
Standard grade	126,916	—	—	126,916
Sub-standard grade	—	2,656	—	2,656
Non-performing individually impaired	—	—	3,562	3,562
	126,916	2,656	3,562	133,134
Trade loans				
High grade	6,601	—	—	6,601
Standard grade	44,087	48	—	44,135
Watchlist Grade	—	255	—	255
Classified grade	—	273	—	273
Non-performing individually impaired	—	—	354	354
	50,688	576	354	51,618
Other loans				
High grade	10,440	—	—	10,440
Standard grade	1,125	—	—	1,125
Sub-standard grade	—	811	—	811
Unrated	11	177	—	188
Non-performing individually impaired	—	—	279	279
	11,576	988	279	12,843
Total receivables from customers				
High grade	333,712	13,536	—	347,248
Standard grade	1,088,194	1,932	—	1,090,126
Watchlist grade	16,325	17,624	—	33,949
Classified grade	—	28,999	—	28,999
Sub-standard grade	7,558	11,389	—	18,947
Unrated	11	4,965	—	4,976
Non-performing individually impaired	—	—	27,164	27,164
	₱1,445,800	₱78,445	₱27,164	₱1,551,409

	Parent Company				
	Stage 1	Stage 2	Stage 3	POCI	Total
2024					
Commercial loans					
High grade	₱195,767	₱—	₱—	₱—	₱195,767
Standard grade	1,000,855	3,339	—	—	1,004,194
Watchlist grade	461	49,873	—	—	50,334
Classified grade	—	6,310	—	—	6,310
Non-performing individually impaired	—	—	15,336	—	15,336
	1,197,083	59,522	15,336	—	1,271,941
Residential mortgage loans					
High grade	986	—	—	—	986
Standard grade	44,827	578	—	—	45,405
Sub-standard grade	6,000	883	—	—	6,883
Non-performing individually impaired	—	—	813	—	813
	51,813	1,461	813	—	54,087

(Forward)



	Parent Company				Total
	Stage 1	Stage 2	Stage 3	POCI	
Auto loans					
High grade	₱2,582	₱5	₱–	₱–	₱2,587
Standard grade	20,433	85	–	–	20,518
Sub-standard grade	20	16	–	–	36
Non-performing individually impaired	–	–	283	–	283
	23,035	106	283	–	23,424
Credit card					
Standard grade	150,087	–	–	–	150,087
Sub-standard grade	–	3,209	–	–	3,209
Non-performing individually impaired	–	–	4,649	–	4,649
	150,087	3,209	4,649	–	157,945
Trade loans					
High grade	10,175	–	–	–	10,175
Standard grade	51,596	174	–	–	51,770
Watchlist grade	–	151	–	–	151
Classified grade	–	198	–	–	198
Non-performing individually impaired	–	–	464	–	464
	61,771	523	464	–	62,758
Other loans					
High grade	13,935	–	–	–	13,935
Standard grade	1,180	–	–	–	1,180
Sub-standard grade	9	29	–	–	38
Non-performing individually impaired	–	–	80	–	80
	15,124	29	80	–	15,233
Total receivables from customers					
High grade	223,445	5	–	–	223,450
Standard grade	1,268,978	4,176	–	–	1,273,154
Watchlist grade	461	50,024	–	–	50,485
Classified grade	–	6,508	–	–	6,508
Sub-standard grade	6,029	4,137	–	–	10,166
Non-performing individually impaired	–	–	21,625	–	21,625
	₱1,498,913	₱64,850	₱21,625	₱–	₱1,585,388
2023					
Commercial loans					
High grade	₱162,693	₱–	₱–	₱–	₱162,693
Standard grade	844,407	802	–	–	845,209
Watchlist grade	16,325	17,369	–	–	33,694
Classified grade	–	28,726	–	–	28,726
Non-performing individually impaired	–	–	14,858	439	15,297
	1,023,425	46,897	14,858	439	1,085,619
Residential mortgage loans					
High grade	906	–	–	–	906
Standard grade	41,221	586	–	–	41,807
Sub-standard grade	7,414	1,245	–	–	8,659
Non-performing individually impaired	–	–	901	–	901
	49,541	1,831	901	–	52,273
Auto loans					
High grade	2,101	65	–	–	2,166
Standard grade	18,149	496	–	–	18,645
Sub-standard grade	144	31	–	–	175
Non-performing individually impaired	–	–	318	–	318
	20,394	592	318	–	21,304
Credit card					
Standard grade	126,916	–	–	–	126,916
Sub-standard grade	–	2,656	–	–	2,656
Non-performing individually impaired	–	–	3,562	–	3,562
	126,916	2,656	3,562	–	133,134
Trade loans					
High grade	2,847	–	–	–	2,847
Standard grade	44,087	48	–	–	44,135
Watchlist grade	–	255	–	–	255
Classified grade	–	273	–	–	273
Non-performing individually impaired	–	–	354	–	354
	46,934	576	354	–	47,864

(Forward)



	Parent Company				Total
	Stage 1	Stage 2	Stage 3	POCI	
Other loans					
High grade	₱9,511	₱—	₱—	₱—	₱9,511
Standard grade	933	—	—	—	933
Sub-standard grade	—	17	—	—	17
Non-performing individually impaired	—	—	74	—	74
	10,444	17	74	—	10,535
Total receivables from customers					
High grade	178,058	65	—	—	178,123
Standard grade	1,075,713	1,932	—	—	1,077,645
Watchlist grade	16,325	17,624	—	—	33,949
Classified grade	—	28,999	—	—	28,999
Sub-standard grade	7,558	3,949	—	—	11,507
Non-performing individually impaired	—	—	20,067	439	20,506
	₱1,277,654	₱52,569	₱20,067	₱439	₱1,350,729

Movements during 2024 and 2023 for receivables from customers follows:

	Consolidated			
	Receivables from Customers			
	Stage 1	Stage 2	Stage 3	Total
2024				
Commercial loans				
Balance at January 1, 2024	₱1,098,643	₱47,499	₱17,860	₱1,164,002
Newly originated assets that remained in Stage 1 as at year-end	682,301	—	—	682,301
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	35,085	6,387	41,472
Assets derecognized or repaid	(495,041)	(29,155)	(5,959)	(530,155)
Amounts written-off	—	—	(883)	(883)
Transfers to/(from) Stage 1	(6,622)	—	—	(6,622)
Transfers to/(from) Stage 2	—	6,542	—	6,542
Transfers to/(from) Stage 3	—	—	80	80
Others	3,291	115	30	3,436
Balance at December 31, 2024	1,282,572	60,086	17,515	1,360,173
Residential mortgage loans				
Balance at January 1, 2024	70,716	20,532	2,203	93,451
Newly originated assets that remained in Stage 1 as at year-end	22,560	—	—	22,560
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	92	72	164
Assets derecognized or repaid	(14,476)	(3,195)	(646)	(18,317)
Transfers to/(from) Stage 1	10,976	—	—	10,976
Transfers to/(from) Stage 2	—	(11,218)	—	(11,218)
Transfers to/(from) Stage 3	—	—	242	242
Balance at December 31, 2024	89,776	6,211	1,871	97,858
Auto loans				
Balance at January 1, 2024	87,261	6,194	2,906	96,361
Newly originated assets that remained in Stage 1 as at year-end	49,411	—	—	49,411
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	1,391	670	2,061
Assets derecognized or repaid	(27,062)	(4,167)	(1,619)	(32,848)
Amounts written-off	—	—	(1,102)	(1,102)
Transfers to/(from) Stage 1	(5,803)	—	—	(5,803)
Transfers to/(from) Stage 2	—	4,068	—	4,068
Transfers to/(from) Stage 3	—	—	1,735	1,735
Balance at December 31, 2024	103,807	7,486	2,590	113,883
Credit card				
Balance at January 1, 2024	126,916	2,656	3,562	133,134
Newly originated assets that remained in Stage 1 as at year-end	12,163	—	—	12,163
Assets derecognized or repaid	(637)	(274)	(296)	(1,207)
Amounts written-off	—	—	(10,237)	(10,237)
Transfers to/(from) Stage 1	(8,996)	—	—	(8,996)
Transfers to/(from) Stage 2	—	3,442	—	3,442
Transfers to/(from) Stage 3	—	—	5,554	5,554
Others	20,641	(2,615)	6,066	24,092
Balance at December 31, 2024	150,087	3,209	4,649	157,945

(Forward)



	Consolidated			
	Receivables from Customers			Total
	Stage 1	Stage 2	Stage 3	
Trade loans				
Balance at January 1, 2024	₱50,688	₱576	₱354	₱51,618
Newly originated assets that remained in Stage 1 as at year-end	63,493	—	—	63,493
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	358	122	480
Assets derecognized or repaid	(46,934)	(411)	(12)	(47,357)
Others	77	—	—	77
Balance at December 31, 2024	67,324	523	464	68,311
Other loans				
Balance at January 1, 2024	11,576	988	279	12,843
Newly originated assets that remained in Stage 1 as at year-end	10,840	—	—	10,840
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	362	14	376
Assets derecognized or repaid	(6,392)	(234)	(52)	(6,678)
Amounts written-off	—	—	(223)	(223)
Transfers to/(from) Stage 1	(291)	—	—	(291)
Transfers to/(from) Stage 2	—	167	—	167
Transfers to/(from) Stage 3	—	—	125	125
Others	(328)	2	100	(226)
Balance at December 31, 2024	15,405	1,285	243	16,933
Total receivables from customers				
Balance at January 1, 2024	1,445,800	78,445	27,164	1,551,409
Newly originated assets that remained in Stage 1 as at year-end	840,768	—	—	840,768
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	37,288	7,265	44,553
Assets derecognized or repaid	(590,542)	(37,436)	(8,584)	(636,562)
Amounts written-off	—	—	(12,445)	(12,445)
Transfers to/(from) Stage 1	(10,736)	—	—	(10,736)
Transfers to/(from) Stage 2	—	3,001	—	3,001
Transfers to/(from) Stage 3	—	—	7,736	7,736
Others	23,681	(2,498)	6,196	27,379
Balance at December 31, 2024	₱1,708,971	₱78,800	₱27,332	₱1,815,103
2023				
Commercial loans				
Balance at January 1, 2023	₱1,017,908	₱53,344	₱20,116	₱1,091,368
Newly originated assets that remained in Stage 1 as at year-end	544,741	—	—	544,741
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	17,758	1,450	19,208
Assets derecognized or repaid	(462,792)	(21,050)	(3,932)	(487,774)
Amounts written-off	—	—	(1,269)	(1,269)
Transfers to/(from) Stage 1	957	—	—	957
Transfers to/(from) Stage 2	—	(2,479)	—	(2,479)
Transfers to/(from) Stage 3	—	—	1,521	1,521
Others	(2,171)	(74)	(26)	(2,271)
Balance at December 31, 2023	1,098,643	47,499	17,860	1,164,002
Residential mortgage loans				
Balance at January 1, 2023	70,887	19,905	3,177	93,969
Newly originated assets that remained in Stage 1 as at year-end	18,305	—	—	18,305
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	21	10	31
Assets derecognized or repaid	(13,021)	(4,821)	(1,012)	(18,854)
Transfers to/(from) Stage 1	(5,455)	—	—	(5,455)
Transfers to/(from) Stage 2	—	5,427	—	5,427
Transfers to/(from) Stage 3	—	—	28	28
Balance at December 31, 2023	70,716	20,532	2,203	93,451

(Forward)



	Consolidated			
	Receivables from Customers			Total
	Stage 1	Stage 2	Stage 3	
Auto loans				
Balance at January 1, 2023	₱71,018	₱6,152	₱2,325	₱79,495
Newly originated assets that remained in Stage 1 as at year-end	45,429	—	—	45,429
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	1,213	589	1,802
Assets derecognized or repaid	(23,880)	(4,952)	(1,376)	(30,208)
Amounts written-off	—	—	(156)	(156)
Transfers to/(from) Stage 1	(5,306)	—	—	(5,306)
Transfers to/(from) Stage 2	—	3,781	—	3,781
Transfers to/(from) Stage 3	—	—	1,524	1,524
Balance at December 31, 2023	87,261	6,194	2,906	96,361
Credit card				
Balance at January 1, 2023	102,172	850	2,542	105,564
Newly originated assets that remained in Stage 1 as at year-end	10,539	—	—	10,539
Assets derecognized or repaid	(616)	(266)	(226)	(1,108)
Amounts written-off	—	—	(7,415)	(7,415)
Transfers to/(from) Stage 1	(6,664)	—	—	(6,664)
Transfers to/(from) Stage 2	—	2,028	—	2,028
Transfers to/(from) Stage 3	—	—	4,636	4,636
Others	21,485	44	4,025	25,554
Balance at December 31, 2023	126,916	2,656	3,562	133,134
Trade loans				
Balance at January 1, 2023	60,178	498	414	61,090
Newly originated assets that remained in Stage 1 as at year-end	49,192	—	—	49,192
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	567	2	569
Assets derecognized or repaid	(58,618)	(489)	(62)	(59,169)
Others	(64)	—	—	(64)
Balance at December 31, 2023	50,688	576	354	51,618
Other loans				
Balance at January 1, 2023	10,380	1,024	301	11,705
Newly originated assets that remained in Stage 1 as at year-end	10,803	—	—	10,803
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	220	4	224
Assets derecognized or repaid	(9,438)	(107)	(35)	(9,580)
Amounts written-off	—	—	(178)	(178)
Transfers to/(from) Stage 1	48	—	—	48
Transfers to/(from) Stage 2	—	(158)	—	(158)
Transfers to/(from) Stage 3	—	—	112	112
Others	(217)	9	75	(133)
Balance at December 31, 2023	11,576	988	279	12,843
Total receivables from customers				
Balance at January 1, 2023	1,332,543	81,773	28,875	1,443,191
Newly originated assets that remained in Stage 1 as at year-end	679,009	—	—	679,009
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	19,779	2,055	21,834
Assets derecognized or repaid	(568,365)	(31,685)	(6,643)	(606,693)
Amounts written-off	—	—	(9,018)	(9,018)
Transfers to/(from) Stage 1	(16,420)	—	—	(16,420)
Transfers to/(from) Stage 2	—	8,599	—	8,599
Transfers to/(from) Stage 3	—	—	7,821	7,821
Others	19,033	(21)	4,074	23,086
Balance at December 31, 2023	₱1,445,800	₱78,445	₱27,164	₱1,551,409



	Parent Company				
	Receivables from Customers				
	Stage 1	Stage 2	Stage 3	POCI	Total
2024					
Commercial loans					
Balance at January 1, 2024	₱1,023,425	₱46,897	₱14,858	₱439	₱1,085,619
Newly originated assets that remained in Stage 1 as at year-end	665,096	—	—	—	665,096
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	34,899	6,317	—	41,216
Assets derecognized or repaid	(487,518)	(28,704)	(5,357)	—	(521,579)
Amounts written off	—	—	(378)	(439)	(817)
Transfers to/(from) Stage 1	(6,179)	—	—	—	(6,179)
Transfers to/(from) Stage 2	—	6,315	—	—	6,315
Transfers to/(from) Stage 3	—	—	(136)	—	(136)
Others	2,259	115	32	—	2,406
Balance at December 31, 2024	1,197,083	59,522	15,336	—	1,271,941
Residential mortgage loans					
Balance at January 1, 2024	49,541	1,831	901	—	52,273
Newly originated assets that remained in Stage 1 as at year-end	13,617	—	—	—	13,617
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	17	25	—	42
Assets derecognized or repaid	(10,613)	(911)	(321)	—	(11,845)
Transfers to/(from) Stage 1	(732)	—	—	—	(732)
Transfers to/(from) Stage 2	—	524	—	—	524
Transfers to/(from) Stage 3	—	—	208	—	208
Balance at December 31, 2024	51,813	1,461	813	—	54,087
Auto loans					
Balance at January 1, 2024	20,394	592	318	—	21,304
Newly originated assets that remained in Stage 1 as at year-end	11,202	—	—	—	11,202
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	19	8	—	27
Assets derecognized or repaid	(8,845)	(155)	(94)	—	(9,094)
Amounts written off	—	—	(15)	—	(15)
Transfers to/(from) Stage 1	284	—	—	—	284
Transfers to/(from) Stage 2	—	(350)	—	—	(350)
Transfers to/(from) Stage 3	—	—	66	—	66
Balance at December 31, 2024	23,035	106	283	—	23,424
Credit card					
Balance at January 1, 2024	126,916	2,656	3,562	—	133,134
Newly originated assets that remained in Stage 1 as at year-end	12,163	—	—	—	12,163
Assets derecognized or repaid	(637)	(274)	(296)	—	(1,207)
Amounts written-off	—	—	(10,237)	—	(10,237)
Transfers to/(from) Stage 1	(8,996)	—	—	—	(8,996)
Transfers to/(from) Stage 2	—	3,442	—	—	3,442
Transfers to/(from) Stage 3	—	—	5,554	—	5,554
Others	20,641	(2,615)	6,066	—	24,092
Balance at December 31, 2024	150,087	3,209	4,649	—	157,945
Trade loans					
Balance at January 1, 2024	46,934	576	354	—	47,864
Newly originated assets that remained in Stage 1 as at year-end	61,771	—	—	—	61,771
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	358	122	—	480
Assets derecognized or repaid	(46,934)	(411)	(12)	—	(47,357)
Balance at December 31, 2024	61,771	523	464	—	62,758
Other loans					
Balance at January 1, 2024	10,444	17	74	—	10,535
Newly originated assets that remained in Stage 1 as at year-end	10,768	—	—	—	10,768
Assets derecognized or repaid	(5,731)	—	(1)	—	(5,732)
Amounts written off	—	—	(108)	—	(108)
Transfers to/(from) Stage 1	(28)	—	—	—	(28)
Transfers to/(from) Stage 2	—	10	—	—	10
Transfers to/(from) Stage 3	—	—	18	—	18
Others	(329)	2	97	—	(230)
Balance at December 31, 2024	15,124	29	80	—	15,233

(Forward)



	Parent Company				
	Receivables from Customers				
	Stage 1	Stage 2	Stage 3	POCI	Total
Total receivables from customers					
Balance at January 1, 2024	₱1,277,654	₱52,569	₱20,067	₱439	₱1,350,729
Newly originated assets that remained in Stage 1 as at year-end	774,617	—	—	—	774,617
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	35,293	6,472	—	41,765
Assets derecognized or repaid	(560,278)	(30,455)	(6,081)	—	(596,814)
Amounts written-off	—	—	(10,738)	(439)	(11,177)
Transfers to/(from) Stage 1	(15,651)	—	—	—	(15,651)
Transfers to/(from) Stage 2	—	9,941	—	—	9,941
Transfers to/(from) Stage 3	—	—	5,710	—	5,710
Others	22,571	(2,498)	6,195	—	26,268
Balance at December 31, 2024	₱1,498,913	₱64,850	₱21,625	₱—	₱1,585,388

	Parent Company				
	Receivables from Customers				
	Stage 1	Stage 2	Stage 3	POCI	Total
2023					
Commercial loans					
Balance at January 1, 2023	₱947,174	₱52,320	₱14,993	₱1,633	₱1,016,120
Newly originated assets that remained in Stage 1 as at year-end	530,851	—	—	—	530,851
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	17,632	1,045	—	18,677
Assets derecognized or repaid	(455,343)	(20,469)	(2,769)	—	(478,581)
Amounts written off	—	—	(145)	(927)	(1,072)
Transfers to/(from) Stage 1	1,022	—	—	—	1,022
Transfers to/(from) Stage 2	—	(2,512)	—	—	(2,512)
Transfers to/(from) Stage 3	—	—	1,490	—	1,490
Others	(279)	(74)	244	(267)	(376)
Balance at December 31, 2023	1,023,425	46,897	14,858	439	1,085,619
Residential mortgage loans					
Balance at January 1, 2023	48,375	1,864	1,649	—	51,888
Newly originated assets that remained in Stage 1 as at year-end	12,637	—	—	—	12,637
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	14	2	—	16
Assets derecognized or repaid	(10,873)	(734)	(661)	—	(12,268)
Transfers to/(from) Stage 1	(598)	—	—	—	(598)
Transfers to/(from) Stage 2	—	687	—	—	687
Transfers to/(from) Stage 3	—	—	(89)	—	(89)
Balance at December 31, 2023	49,541	1,831	901	—	52,273
Auto loans					
Balance at January 1, 2023	17,901	560	413	—	18,874
Newly originated assets that remained in Stage 1 as at year-end	10,473	—	—	—	10,473
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	260	6	—	266
Assets derecognized or repaid	(7,817)	(317)	(165)	—	(8,299)
Amounts written off	—	—	(10)	—	(10)
Transfers to/(from) Stage 1	(163)	—	—	—	(163)
Transfers to/(from) Stage 2	—	89	—	—	89
Transfers to/(from) Stage 3	—	—	74	—	74
Balance at December 31, 2023	20,394	592	318	—	21,304
Credit card					
Balance at January 1, 2023	102,172	850	2,542	—	105,564
Newly originated assets that remained in Stage 1 as at year-end	10,539	—	—	—	10,539
Assets derecognized or repaid	(616)	(266)	(226)	—	(1,108)
Amounts written-off	—	—	(7,415)	—	(7,415)
Transfers to/(from) Stage 1	(6,664)	—	—	—	(6,664)
Transfers to/(from) Stage 2	—	2,028	—	—	2,028
Transfers to/(from) Stage 3	—	—	4,636	—	4,636
Others	21,485	44	4,025	—	25,554
Balance at December 31, 2023	126,916	2,656	3,562	—	133,134

(Forward)



	Parent Company				
	Receivables from Customers				Total
	Stage 1	Stage 2	Stage 3	POCI	
Trade loans					
Balance at January 1, 2023	₱58,618	₱498	₱414	₱—	₱59,530
Newly originated assets that remained in Stage 1 as at year-end	46,934	—	—	—	46,934
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	567	2	—	569
Assets derecognized or repaid	(58,618)	(489)	(62)	—	(59,169)
Balance at December 31, 2023	46,934	576	354	—	47,864
Other loans					
Balance at January 1, 2023	9,430	—	44	—	9,474
Newly originated assets that remained in Stage 1 as at year-end	10,013	—	—	—	10,013
Assets derecognized or repaid	(8,754)	—	(2)	—	(8,756)
Amounts written off	—	—	(64)	—	(64)
Transfers to/(from) Stage 1	(28)	—	—	—	(28)
Transfers to/(from) Stage 2	—	8	—	—	8
Transfers to/(from) Stage 3	—	—	20	—	20
Others	(217)	9	76	—	(132)
Balance at December 31, 2023	10,444	17	74	—	10,535
Total receivables from customers					
Balance at January 1, 2023	1,183,670	56,092	20,055	1,633	1,261,450
Newly originated assets that remained in Stage 1 as at year-end	621,447	—	—	—	621,447
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	18,473	1,055	—	19,528
Assets derecognized or repaid	(542,021)	(22,275)	(3,885)	—	(568,181)
Amounts written-off	—	—	(7,634)	(927)	(8,561)
Transfers to/(from) Stage 1	(6,431)	—	—	—	(6,431)
Transfers to/(from) Stage 2	—	300	—	—	300
Transfers to/(from) Stage 3	—	—	6,131	—	6,131
Others	20,989	(21)	4,345	(267)	25,046
Balance at December 31, 2023	₱1,277,654	₱52,569	₱20,067	₱439	₱1,350,729

The credit quality of other receivables, gross of allowance for credit losses, as of December 31, 2024 and 2023 follows:

	Consolidated			
	Stage 1	Stage 2	Stage 3	Total
2024				
Unquoted debt securities				
High grade	₱18	₱—	₱—	₱18
Non-performing individually impaired	—	—	385	385
	18	—	385	403
Accrued interest receivable				
High grade	17,159	—	—	17,159
Standard grade	6,798	26	—	6,824
Watchlist grade	1	165	—	166
Classified grade	—	23	—	23
Sub-standard grade	32	155	—	187
Unrated	23	124	—	147
Non-performing individually impaired	—	—	299	299
	24,013	493	299	24,805
Sales contract receivable				
Unrated	16	—	—	16
Non-performing individually impaired	—	—	7	7
	16	—	7	23
Other receivables				
Standard grade	8	—	—	8
Unrated	2	—	—	2
Non-performing individually impaired	—	—	2	2
	10	—	2	12

(Forward)



	Consolidated			Total
	Stage 1	Stage 2	Stage 3	
Total other receivables				
High grade	₱17,177	₱–	₱–	₱17,177
Standard grade	6,806	26	–	6,832
Watchlist grade	1	165	–	166
Classified grade	–	23	–	23
Sub-standard grade	32	155	–	187
Unrated	41	124	–	165
Non-performing individually impaired	–	–	693	693
	₱24,057	₱493	₱693	₱25,243
2023				
Unquoted debt securities				
High grade	₱518	₱–	₱–	₱518
Standard grade	30	–	–	30
Non-performing individually impaired	–	–	386	386
	548	–	386	934
Accrued interest receivable				
High grade	13,868	180	–	14,048
Standard grade	5,494	5	–	5,499
Watchlist grade	66	55	–	121
Classified grade	–	217	–	217
Sub-standard grade	36	232	–	268
Unrated	16	107	–	123
Non-performing individually impaired	–	–	619	619
	19,480	796	619	20,895
Sales contract receivable				
High grade	1	–	–	1
Unrated	23	–	–	23
Non-performing individually impaired	–	–	8	8
	24	–	8	32
Other receivables				
High grade	3	–	–	3
Standard grade	389	–	–	389
Unrated	3	–	–	3
Non-performing individually impaired	–	–	1	1
	395	–	1	396
Total other receivables				
High grade	14,390	180	–	14,570
Standard grade	5,913	5	–	5,918
Watchlist grade	66	55	–	121
Classified grade	–	217	–	217
Sub-standard grade	36	232	–	268
Unrated	42	107	–	149
Non-performing individually impaired	–	–	1,014	1,014
	₱20,447	₱796	₱1,014	₱22,257

	Parent Company			Total
	Stage 1	Stage 2	Stage 3	
2024				
Unquoted debt securities				
High grade	₱18	₱–	₱–	₱18
Non-performing individually impaired	–	–	385	385
	18	–	385	403
Accrued interest receivable				
High grade	14,507	–	–	14,507
Standard grade	6,713	26	–	6,739
Watchlist grade	1	165	–	166
Classified grade	–	23	–	23
Sub-standard grade	32	6	–	38
Unrated	21	–	–	21
Non-performing individually impaired	–	–	209	209
	21,274	220	209	21,703
Sales contract receivable				
Unrated	16	–	–	16
Non-performing individually impaired	–	–	2	2
	16	–	2	18
Other receivables				
Non-performing individually impaired	–	–	2	2
	–	–	2	2

(Forward)



	Parent Company			
	Stage 1	Stage 2	Stage 3	Total
Total other receivables				
High grade	₱14,525	₱–	₱–	14,525
Standard grade	6,713	26	–	6,739
Watchlist grade	1	165	–	166
Classified grade	–	23	–	23
Sub-standard grade	32	6	–	38
Unrated	37	–	–	37
Non-performing individually impaired	–	–	598	598
	₱21,308	₱220	₱598	₱22,126

	Parent Company			
	Stage 1	Stage 2	Stage 3	Total
2023				
Unquoted debt securities				
High grade	₱105	₱–	₱–	₱105
Non-performing individually impaired	–	–	386	386
	105	–	386	491
Accrued interest receivable				
High grade	11,076	–	–	11,076
Standard grade	5,449	5	–	5,454
Watchlist grade	66	55	–	121
Classified grade	–	217	–	217
Sub-standard grade	35	7	–	42
Unrated	5	–	–	5
Non-performing individually impaired	–	–	481	481
	16,631	284	481	17,396
Sales contract receivable				
Unrated	23	–	–	23
Non-performing individually impaired	–	–	2	2
	23	–	2	25
Other receivables				
Unrated	1	–	–	1
Non-performing individually impaired	–	–	1	1
	1	–	1	2
Total other receivables				
High grade	11,181	–	–	11,181
Standard grade	5,449	5	–	5,454
Watchlist grade	66	55	–	121
Classified grade	–	217	–	217
Sub-standard grade	35	7	–	42
Unrated	29	–	–	29
Non-performing individually impaired	–	–	870	870
	₱16,760	₱284	₱870	₱17,914

Movements during 2024 and 2023 for other receivables follow:

	Consolidated			
	Stage 1	Stage 2	Stage 3	Total
2024				
Balance at January 1, 2024	₱20,447	₱796	₱1,014	₱22,257
Newly originated assets that remained in Stage 1 as at year-end	18,306	–	–	18,306
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	184	73	257
Assets derecognized or repaid	(14,695)	(385)	(436)	(15,516)
Amounts written off	–	–	(1)	(1)
Transfers to/(from) Stage 1	59	–	–	59
Transfers to/(from) Stage 2	–	(102)	–	(102)
Transfers to/(from) Stage 3	–	–	43	43
Others	(60)	–	–	(60)
Balance at December 31, 2024	₱24,057	₱493	₱693	₱25,243



	Consolidated			Total
	Stage 1	Stage 2	Stage 3	
2023				
Balance at January 1, 2023	₱15,071	₱1,214	₱1,018	₱17,303
Newly originated assets that remained in Stage 1 as at year-end	15,329	—	—	15,329
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	108	64	172
Assets derecognized or repaid	(9,551)	(599)	(123)	(10,273)
Amounts written off	—	—	(1)	(1)
Transfers to/(from) Stage 1	(129)	—	—	(129)
Transfers to/(from) Stage 2	—	73	—	73
Transfers to/(from) Stage 3	—	—	56	56
Others	(273)	—	—	(273)
Balance at December 31, 2023	₱20,447	₱796	₱1,014	₱22,257

	Parent Company			Total
	Stage 1	Stage 2	Stage 3	
2024				
Balance at January 1, 2024	₱16,760	₱284	₱870	₱17,914
Newly originated assets that remained in Stage 1 as at year-end	17,044	—	—	17,044
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	140	47	187
Assets derecognized or repaid	(12,478)	(220)	(320)	(13,018)
Amounts written off	—	—	(1)	(1)
Transfers to/(from) Stage 1	(18)	—	—	(18)
Transfers to/(from) Stage 2	—	16	—	16
Transfers to/(from) Stage 3	—	—	2	2
Balance at December 31, 2024	₱21,308	₱220	₱598	₱22,126

2023				
Balance at January 1, 2023	₱11,290	₱634	₱896	₱12,820
Newly originated assets that remained in Stage 1 as at year-end	13,821	—	—	13,821
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	78	24	102
Assets derecognized or repaid	(8,304)	(406)	(53)	(8,763)
Amounts written off	—	—	(1)	(1)
Transfers to/(from) Stage 1	18	—	—	18
Transfers to/(from) Stage 2	—	(22)	—	(22)
Transfers to/(from) Stage 3	—	—	4	4
Others	(65)	—	—	(65)
Balance at December 31, 2023	₱16,760	₱284	₱870	₱17,914

The credit risk exposure on the accounts receivable of the Group and the Parent Company based on their aging as of December 31, 2024 and 2023 follows:

Age of accounts receivables	Consolidated		Parent Company	
	2024	2023	2024	2023
Up to 1 month	₱17,494	₱5,474	₱4,809	₱4,175
> 1 to 2 months	312	37	277	12
> 2 to 3 months	94	25	75	8
More than 3 months	4,218	9,558	3,574	3,460
Total gross carrying amount	₱22,118	₱15,094	₱8,735	₱7,655

The maximum exposure and credit quality of loan commitments and financial guarantees as of December 31, 2024 and 2023 follows:

	Consolidated			Total
	Stage 1	Stage 2	Stage 3	
2024				
High grade	₱15,501	₱—	₱—	₱15,501
Standard grade	331,070	568	—	331,638
Substandard grade	—	—	806	806
Unrated	86,416	10,917	8	97,341
	₱432,987	₱11,485	₱814	₱445,286
2023				
High grade	₱16,637	₱—	₱—	₱16,637
Standard grade	273,260	2,761	—	276,021
Substandard grade	—	—	859	859
Unrated	75,710	378	—	76,088
	₱365,607	₱3,139	₱859	₱369,605



	Parent Company			
	Stage 1	Stage 2	Stage 3	Total
2024				
Standard grade	₱330,990	₱568	₱—	₱331,558
Substandard grade	—	—	806	806
Unrated	86,416	10,917	8	97,341
	₱417,406	₱11,485	₱814	₱429,705
2023				
Standard grade	₱273,219	₱2,761	₱—	₱275,980
Substandard grade	—	—	859	859
Unrated	75,710	378	—	76,088
	₱348,929	₱3,139	₱859	₱352,927

Movements during 2024 and 2023 for loan commitments and financial guarantees follow:

	Consolidated			
	Stage 1	Stage 2	Stage 3	Total
2024				
Balance at January 1, 2024	₱365,607	₱3,139	₱859	₱369,605
New assets originated or purchased	74,899	—	—	74,899
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	14	(8)	6
Assets derecognized or repaid	(19,700)	(75)	(126)	(19,901)
Amounts written off	(19,498)	(636)	(956)	(21,090)
Transfers to/(from) Stage 1	(3,886)	—	—	(3,886)
Transfers to/(from) Stage 2	—	3,815	—	3,815
Transfers to/(from) Stage 3	—	—	72	72
Others	35,565	5,228	973	41,766
Balance at December 31, 2024	₱432,987	₱11,485	₱814	₱445,286
2023				
Balance at January 1, 2023	₱341,427	₱4,137	₱1,424	₱346,988
New assets originated or purchased	53,661	—	—	53,661
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	26	—	26
Assets derecognized or repaid	(49,318)	(551)	(965)	(50,834)
Transfers to/(from) Stage 1	(1,499)	—	—	(1,499)
Transfers to/(from) Stage 2	—	567	—	567
Transfers to/(from) Stage 3	—	—	932	932
Others	21,336	(1,040)	(532)	19,764
Balance at December 31, 2023	₱365,607	₱3,139	₱859	₱369,605

	Parent Company			
	Stage 1	Stage 2	Stage 3	Total
2024				
Balance at January 1, 2024	₱348,929	₱3,139	₱859	₱352,927
New assets originated or purchased	74,899	—	—	74,899
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	14	(8)	6
Assets derecognized or repaid	(18,300)	(75)	(126)	(18,501)
Amounts written off	(19,498)	(636)	(956)	(21,090)
Transfers to/(from) Stage 1	(3,886)	—	—	(3,886)
Transfers to/(from) Stage 2	—	3,815	—	3,815
Transfers to/(from) Stage 3	—	—	71	71
Others	35,262	5,228	974	41,464
Balance at December 31, 2024	₱417,406	₱11,485	₱814	₱429,705
2023				
Balance at January 1, 2023	₱308,532	₱4,137	₱1,424	₱314,093
New assets originated or purchased	53,661	—	—	53,661
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	26	—	26
Assets derecognized or repaid	(34,244)	(551)	(965)	(35,760)
Transfers to/(from) Stage 1	(1,499)	—	—	(1,499)
Transfers to/(from) Stage 2	—	567	—	567
Transfers to/(from) Stage 3	—	—	932	932
Others	22,479	(1,040)	(532)	20,907
Balance at December 31, 2023	₱348,929	₱3,139	₱859	₱352,927



Breakdown of restructured receivables from customers by class are shown below:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Commercial loans	₱3,827	₱5,053	₱3,453	₱4,452
Residential mortgage loans	86	96	43	37
Auto loans	—	1	—	—
Others	1	—	—	—
	₱3,914	₱5,150	₱3,496	₱4,489

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:

	Consolidated					
	Number of Days Past Due					
	Within 30 Days	31-60 Days	61-90 Days	91-180 Days	Over 180 Days	Total
2024						
Auto loans	₱135	₱2,653	₱1,067	₱1,145	₱1,239	₱6,239
Residential mortgage loans	794	1,175	278	231	961	3,439
Credit card	—	1,728	1,481	2,769	1,880	7,858
	₱929	₱5,556	₱2,826	₱4,145	₱4,080	₱17,536
2023						
Auto loans	₱134	₱1,876	₱851	₱1,003	₱1,675	₱5,539
Residential mortgage loans	898	1,029	368	307	1,093	3,695
Credit card	—	1,470	1,187	2,178	1,383	6,218
	₱1,032	₱4,375	₱2,406	₱3,488	₱4,151	₱15,452

	Parent Company					
	Number of Days Past Due					
	Within 30 Days	31-60 Days	61-90 Days	91-180 Days	Over 180 Days	Total
2024						
Auto loans	₱29	₱11	₱5	₱7	₱237	₱289
Residential mortgage loans	221	135	14	54	422	846
Credit card	—	1,728	1,481	2,769	1,880	7,858
	₱250	₱1,874	₱1,500	₱2,830	₱2,539	₱8,993
2023						
Auto loans	₱35	₱15	₱12	₱8	₱256	₱326
Residential mortgage loans	229	139	46	69	520	1,003
Credit card	—	1,470	1,187	2,178	1,383	6,218
	₱264	₱1,624	₱1,245	₱2,255	₱2,159	₱7,547

Liquidity Risk

Liquidity risk is the current and prospective risk to earnings or capital arising from the inability to meet its obligations when they become due. This may be caused by the inability to liquidate assets or to obtain funding to meet the liquidity needs. The Group manages its liquidity risk by holding adequate stock of high-quality liquid assets, analyzing net funding requirements over time, diversifying funding sources and contingency planning.

To measure the prospective liquidity needs, the Group uses Maximum Cumulative Outflow (MCO), a liquidity gap tool to project short-term and long-term cash flow expectations on a business-as-usual condition.

The MCO is generated by distributing the cash flows of the Group'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, projections on business strategies, and/or optionality of certain products. The incorporation of behavioral cash flow assumptions and business projections or targets results in a dynamic gap report 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 Group 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 Group is said to have a negative liquidity gap or has funding needs for the given time bucket.

The MCO is monitored regularly to ensure that it remains within the set limits. The Parent Company generates and monitors daily its MCO, while the subsidiaries generate the report at least monthly. The liquidity profile of the Group is reported monthly to the Parent Company's ALCO and ROC.

To supplement the business-as-usual scenario parameters reflected in the MCO report, the Group also conducts liquidity stress testing to determine the impact of extreme factors, scenarios and/or events to the Group's liquidity profile. Liquidity stress testing exercise is performed quarterly on a per firm basis, and at least annually on the Group-wide level.

Financial assets

Analysis of debt securities into maturity groupings is based on the expected date on which these assets will be realized. For other financial assets, the analysis into maturity groupings 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 groupings are based on the remaining period from the end of the reporting period to the contractual maturity date. When a counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Group can be required to pay.

The tables below summarize the maturity profile of financial instruments and gross-settled derivatives based on contractual undiscounted cash flows:

	Consolidated						Total
	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	
2024							
Financial Assets							
Cash and other cash items	₱33,726	₱–	₱–	₱–	₱–	₱–	₱33,726
Due from BSP	150,128	–	–	–	–	–	150,128
Due from other banks	73,488	4,639	3,896	130	27	–	82,180
Interbank loans receivable and SPURA	400	65,931	8,637	2,819	3,596	–	81,383
Investment securities at FVTPL							
FVTPL investments	300	78	208,390	–	–	77	208,845
Derivative assets							
Trading:							
Receive	–	159,815	101,325	48,844	48,644	160,018	518,646
Pay	–	(156,199)	(98,617)	(47,550)	(45,501)	(153,279)	(501,146)
	–	3,616	2,708	1,294	3,143	6,739	17,500
Investment securities at FVOCI	–	77,327	12,750	10,081	55,857	570,221	726,236
Investment securities at amortized cost	–	716	5,664	488	3,387	610,332	620,587
Loans and receivables							
Receivables from customers	102,348	274,872	240,357	120,022	124,666	1,314,491	2,176,756
Unquoted debt securities	–	–	18	–	–	–	18
Accrued interest receivable	499	22,813	230	1	509	753	24,805
Accounts receivable	9,931	11,550	46	38	65	488	22,118
Sales contract receivable	11	1	1	2	3	5	23
Other receivables	2	1	2	1	2	4	12
Other assets							
Returned checks and other cash items	232	–	–	–	–	–	232
Residual values of leased assets	54	29	10	18	57	223	391
Miscellaneous	180	1	1,170	2	15	190	1,558
	₱371,299	₱461,574	₱483,879	₱134,896	₱191,327	₱2,503,523	₱4,146,498



	Consolidated						
	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	Total
Financial Liabilities							
Non-derivative liabilities							
Deposit liabilities							
Demand	₱608,370	₱—	₱—	₱—	₱—	₱—	₱608,370
Savings	879,568	—	—	—	—	—	879,568
Time	10,655	831,391	144,379	46,214	24,045	35,533	1,092,217
	1,498,593	831,391	144,379	46,214	24,045	35,533	2,580,155
Bills payable and SSURA	—	188,692	28,398	57,434	28,293	—	302,817
Manager's checks and demand drafts outstanding	6,901	—	—	—	—	—	6,901
Accrued interest payable	376	6,607	1,926	1,180	415	17	10,521
Accrued other expenses	7,945	493	1,822	1	—	—	10,261
Bonds payable	—	9	112	775	2,271	126,852	130,019
Other liabilities							
Lease liability	29	197	534	404	728	5,275	7,167
Bills purchased – contra	13,889	—	—	—	—	—	13,889
Accounts payable	15,203	24,267	243	87	232	2	40,034
Marginal deposits	2,054	2,613	4,256	5,484	4,394	—	18,801
Outstanding acceptances	—	702	369	48	59	—	1,178
Deposits on lease contracts	86	55	14	21	125	364	665
Dividends payable	88	—	—	—	—	—	88
Miscellaneous	6	—	—	—	—	—	6
	1,545,170	1,055,026	182,053	111,648	60,562	168,043	3,122,502
Derivative liabilities*							
Trading:							
Pay	—	132,347	92,617	33,500	53,231	92,943	404,638
Receive	—	(128,958)	(90,132)	(32,371)	(49,704)	(89,121)	(390,286)
	—	3,389	2,485	1,129	3,527	3,822	14,352
Loan commitments and financial guarantees	337,105	7,486	25,739	14,677	38,530	21,749	445,286
	₱1,882,275	₱1,065,901	₱210,277	₱127,454	₱102,619	₱193,614	₱3,582,140
2023							
Financial Assets							
Cash and other cash items	₱39,431	₱—	₱—	₱—	₱—	₱—	₱39,431
Due from BSP	201,660	6,150	—	—	—	—	207,810
Due from other banks	79,544	5,233	5,561	287	9	—	90,634
Interbank loans receivable and SPURA	—	66,126	4,063	2,184	674	—	73,047
Investment securities at FVTPL							
FVTPL investments	—	6,805	45,671	—	12	1,185	53,673
Derivative assets							
Trading:							
Receive	—	154,359	135,842	61,854	57,983	143,990	554,028
Pay	—	(150,759)	(130,163)	(59,920)	(56,113)	(135,189)	(532,144)
	—	3,600	5,679	1,934	1,870	8,801	21,884
Investment securities at FVOCI	—	64,404	121,979	14,792	6,055	411,911	619,141
Investment securities at amortized cost	16,524	2,484	2,310	619	1,186	614,287	637,410
Loans and receivables							
Receivables from customers	86,308	216,152	207,074	122,397	122,327	1,102,101	1,856,359
Unquoted debt securities	—	—	15	15	417	120	567
Accrued interest receivable	2,285	17,586	188	2	834	—	20,895
Accounts receivable	8,612	6,424	10	8	10	30	15,094
Sales contract receivable	11	1	2	4	5	11	34
Other receivables	71	292	17	2	9	5	396
Other assets							
Returned checks and other cash items	448	—	—	—	—	—	448
Residual values of leased assets	56	14	22	38	103	237	470
Miscellaneous	195	1	3	5	16	173	393
	₱435,145	₱395,272	₱392,594	₱142,287	₱133,527	₱2,138,861	₱3,637,686



	Consolidated						Total
	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	
Financial Liabilities							
Non-derivative liabilities							
Deposit liabilities							
Demand	P586,345	P—	P—	P—	P—	P—	P586,345
Savings	853,028	—	—	—	—	—	853,028
Time	268	476,737	247,138	104,079	78,409	32,639	939,270
LTNCD	—	13	5,112	8,833	3,787	—	17,745
	1,439,641	476,750	252,250	112,912	82,196	32,639	2,396,388
Bills payable and SSURA	—	70,323	83,393	1,345	2,254	5	157,320
Manager's checks and demand drafts outstanding	7,048	—	—	—	—	—	7,048
Accrued interest payable	488	1,800	2,560	1,562	843	49	7,302
Accrued other expenses	7,815	437	2,272	2	—	—	10,526
Bonds payable	—	9	246	24,009	650	48,469	73,383
Non-equity non-controlling interest	10,260	—	—	—	—	—	10,260
Other liabilities							
Lease liability	47	197	206	366	638	5,269	6,723
Bills purchased – contra	9,486	—	—	—	—	—	9,486
Accounts payable	9,503	17,335	142	160	347	3	27,490
Marginal deposits	451	106	1,361	4,220	4,618	—	10,756
Outstanding acceptances	—	329	821	235	113	—	1,498
Deposits on lease contracts	90	56	44	59	156	378	783
Dividends payable	89	—	—	—	—	—	89
Miscellaneous	175	—	—	—	—	—	175
	1,485,093	567,342	343,295	144,870	91,815	86,812	2,719,227
Derivative liabilities*							
Trading:							
Pay	—	165,078	191,729	84,444	105,457	100,357	647,065
Receive	—	(161,856)	(188,514)	(82,719)	(102,044)	(96,256)	(631,389)
	—	3,222	3,215	1,725	3,413	4,101	15,676
Loan commitments and financial guarantees							
	280,191	7,519	17,876	12,988	30,860	20,171	369,605
	P1,765,284	P578,083	P364,386	P159,583	P126,088	P111,084	P3,104,508

*Does not include derivatives embedded in financial and non-financial contracts.

	Parent Company						Total
	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	
2024							
Financial Assets							
Cash and other cash items	P31,929	P—	P—	P—	P—	P—	P31,929
Due from BSP	148,945	—	—	—	—	—	148,945
Due from other banks	58,916	220	3,304	—	—	—	62,440
Interbank loans receivable and SPURA	—	52,539	1,455	—	—	—	53,994
Investment securities at FVTPL							
FVTPL investments	—	—	208,387	—	—	77	208,464
Derivative assets							
Trading:							
Receive	—	159,814	101,325	48,843	48,644	160,018	518,644
Pay	—	(156,199)	(98,617)	(47,550)	(45,501)	(153,279)	(501,146)
	—	3,615	2,708	1,293	3,143	6,739	17,498
Investment securities at FVOCI	—	62,076	7,125	4,623	50,589	536,658	661,071
Investment securities at amortized cost	—	—	5,163	—	—	578,520	583,683
Loans and receivables							
Receivables from customers	98,788	264,787	220,216	92,977	91,963	1,075,732	1,844,463
Unquoted debt securities	—	—	18	—	—	—	18
Accrued interest receivable	—	21,703	—	—	—	—	21,703
Accounts receivable	8,735	—	—	—	—	—	8,735
Sales contract receivable	7	1	1	2	3	5	19
Other receivables	2	—	—	—	—	—	2
Other assets							
Returned checks and other cash items	215	—	—	—	—	—	215
Miscellaneous	—	—	1,169	—	—	—	1,169
	P347,537	P404,941	P449,546	P98,895	P145,698	P2,197,731	P3,644,348

(Forward)



	Parent Company						
	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	Total
Financial Liabilities							
Non-derivative liabilities							
Deposit liabilities							
Demand	₱559,133	₱–	₱–	₱–	₱–	₱–	₱559,133
Savings	832,157	–	–	–	–	–	832,157
Time	65	775,569	116,262	25,284	16,079	534	933,793
	1,391,355	775,569	116,262	25,284	16,079	534	2,325,083
Bills payable and SSURA	–	179,525	27,175	54,954	27,025	–	288,679
Manager's checks and demand drafts outstanding	5,286	–	–	–	–	–	5,286
Accrued interest payable	14	6,141	1,785	1,180	339	17	9,476
Accrued other expenses	7,749	–	–	–	–	–	7,749
Bonds payable	–	9	112	775	2,271	124,474	127,641
Other liabilities							
Lease liability	29	159	87	234	430	4,237	5,176
Bills purchased - contra	13,889	–	–	–	–	–	13,889
Accounts payable	8,190	12,475	–	–	–	–	20,665
Outstanding acceptances	–	702	369	48	59	–	1,178
Marginal deposits	–	–	17	–	–	–	17
	1,426,512	974,580	145,807	82,475	46,203	129,262	2,804,839
Derivative liabilities*							
Trading:							
Pay	–	132,347	92,616	33,499	53,231	92,943	404,636
Receive	–	(128,958)	(90,132)	(32,371)	(49,704)	(89,121)	(390,286)
	–	3,389	2,484	1,128	3,527	3,822	14,350
Loan commitments and financial guarantees							
	337,025	7,486	25,739	14,677	23,029	21,749	429,705
	₱1,763,537	₱985,455	₱174,030	₱98,280	₱72,759	₱154,833	₱3,248,894
2023							
Financial Assets							
Cash and other cash items	₱37,692	₱–	₱–	₱–	₱–	₱–	₱37,692
Due from BSP	198,061	–	–	–	–	–	198,061
Due from other banks	61,086	1,563	3,245	–	–	–	65,894
Interbank loans receivable and SPURA	–	59,044	–	–	205	–	59,249
Investment securities at FVTPL							
FVTPL investments	–	–	45,265	–	–	64	45,329
Derivative assets							
Trading:							
Receive	–	154,359	135,842	61,853	57,983	143,990	554,027
Pay	–	(150,759)	(130,163)	(59,920)	(56,113)	(135,189)	(532,144)
	–	3,600	5,679	1,933	1,870	8,801	21,883
Investment securities at FVOCI	–	10,549	114,739	6,878	5,016	387,471	524,653
Investment securities at amortized cost	–	2,217	1,666	–	–	598,955	602,838
Loans and receivables							
Receivables from customers	81,922	211,654	190,073	95,829	83,413	905,374	1,568,265
Unquoted debt securities	–	–	–	–	–	120	120
Accrued interest receivable	–	17,396	–	–	–	–	17,396
Accounts receivable	7,655	–	–	–	–	–	7,655
Sales contract receivable	8	1	2	2	5	10	28
Other receivables	2	–	–	–	–	–	2
Other assets							
Returned checks and other cash items	433	–	–	–	–	–	433
	₱386,859	₱306,024	₱360,669	₱104,642	₱90,509	₱1,900,795	₱3,149,498
Financial Liabilities							
Non-derivative liabilities							
Deposit liabilities							
Demand	₱536,772	₱–	₱–	₱–	₱–	₱–	₱536,772
Savings	807,153	–	–	–	–	–	807,153
Time	–	390,115	219,391	89,145	68,784	578	768,013
LTNCD	–	13	–	8,833	3,787	–	12,633
	1,343,925	390,128	219,391	97,978	72,571	578	2,124,571
Bills payable and SSURA	–	59,950	81,442	1	–	5	141,398
Manager's checks and demand drafts outstanding	5,533	–	–	–	–	–	5,533

(Forward)



	Parent Company						Total
	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	
Accrued interest payable	₱–	₱1,223	₱2,267	₱1,552	₱813	₱49	₱5,904
Accrued other expenses	7,813	–	–	–	–	–	7,813
Bonds payable	–	9	246	24,009	650	48,469	73,383
Subordinated debts	–	–	–	–	–	–	–
Other liabilities							
Lease liability	45	141	78	212	371	3,875	4,722
Bills purchased - contra	9,444	–	–	–	–	–	9,444
Accounts payable	2,527	11,640	–	–	–	–	14,167
Outstanding acceptances	–	329	821	235	113	–	1,498
Marginal deposits	–	–	551	–	–	–	551
	1,369,287	463,420	304,796	123,987	74,518	52,976	2,388,984
Derivative liabilities*							
Trading:							
Pay	–	165,078	191,727	84,442	105,457	100,357	647,061
Receive	–	(161,856)	(188,514)	(82,719)	(102,044)	(96,256)	(631,389)
	–	3,222	3,213	1,723	3,413	4,101	15,672
Loan commitments and financial guarantees	280,150	7,519	17,876	12,988	14,223	20,171	352,927
	₱1,649,437	₱474,161	₱325,885	₱138,698	₱92,154	₱77,248	₱2,757,583

*Does not include derivatives embedded in financial and non-financial contracts.

Market Risk

Market risk is the possibility of loss to future earnings, fair values or future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, and other market factors. Market risk originates from holdings in foreign currencies, debt securities and derivatives transactions.

Depending on the business model for the product, that is, whether they belong to the trading book or banking book, the Group applies different tools and processes to manage market risk exposures. Risk limits, approved by the BOD, are enforced to monitor and control this risk. RSK, as an independent body under the ROC, performs daily market risk analyses to ensure compliance to policies and limits, while Treasury Group manages the asset/liability risks arising from both banking book and trading operations in financial markets. The ALCO, chaired by the President, manages market risks within the parameters approved by the BOD.

As part of group supervision, the Parent Company regularly coordinates with subsidiaries to monitor their compliance to their respective risk tolerances and to ensure alignment of risk management practices. Each subsidiary has its own risk management unit responsible for monitoring its market risk exposures. The Parent Company, however, requires regular submission of market risk profiles from subsidiaries which are presented to ALCO and ROC in both individual and consolidated forms to provide senior management and ROC a holistic perspective and ensure alignment of strategies and risk appetite across the Group.

Market risk - trading book

In measuring the potential loss in its trading portfolio, the Parent Company uses Value-at-Risk (VaR). VaR is an estimate of the potential decline in the value of a portfolio, under normal market conditions, for a given “confidence level” over a specified holding period. The Parent Company measures and monitors the Trading Book VaR daily and this value is compared against the set VaR limit. Meanwhile, the Group VaR is monitored and reported monthly.

VaR methodology assumptions and parameters

Historical Simulation (HS) is used to compute the VaR. This method assumes that market rates volatility in the future will follow the same movement that occurred within the 260-day historical period. In calculating VaR, a 99.00% confidence level and a one-day holding period are assumed.



This means that, statistically, within a one-day horizon, the trading losses will exceed VaR in 1 out of 100 trading days.

Like any other model, the HS method has its own limitations. To wit, it cannot predict volatility levels which did not happen in the specified historical period. The validity of the VaR model is verified through a daily backtesting analysis, which examines how frequently both actual and hypothetical daily losses exceed VaR. The result of the daily backtesting analysis is reported to the ALCO and ROC monthly.

A summary of the VaR levels of the trading portfolio of the Parent Company appears below:

	Rates and FX	Fixed Income	FX Options
As of December 31, 2024			
December 27	₱265.62	₱370.34	₱6.60
Average	316.26	295.95	12.41
Highest	692.55	482.23	46.20
Lowest	115.46	115.97	2.31
As of December 31, 2023			
December 29	₱390.72	₱122.48	₱3.96
Average	278.53	196.01	24.70
Highest	453.90	302.01	108.94
Lowest	117.61	118.45	0.28

Rates and Foreign Exchange (FX) VaR is the correlated VaR of the following products: FX spot, outright forward, non-deliverable forwards, FX swaps, interest rate swaps, and cross-currency swaps. The Fixed Income VaR is the correlated VaR of these products: peso and foreign currency bonds, bond forwards and credit default swaps (CDS).

Subsidiaries with trading books perform daily mark-to-market valuation and VaR calculations for their exposures. Risk exposures are bounded by a system of risk limits and monitoring tools to effectively manage these risks.

The table below summarizes the VaR levels of PSBank:

	Fixed Income	FX
As of December 31, 2024		
December 27	₱0.937	₱0.059
Average	2.383	0.785
Highest	7.294	1.676
Lowest	0.323	0.059
As of December 31, 2023		
December 29	₱1.447	₱1.212
Average	0.214	1.356
Highest	1.455	2.319
Lowest	0.001	0.617

The limitations of the VaR methodology are recognized by supplementing VaR limits with other position and sensitivity limit structures and by doing stress testing analysis. These processes address potential product concentration risks, monitor portfolio vulnerability and give the management an early advice if an actual loss goes beyond what is deemed to be tolerable to the Group and the Parent Company, even before the VaR limit is hit.



Stress testing is performed by the Parent Company on a quarterly basis and the results are reported to the ALCO and, subsequently, to the ROC and BOD. On a group-wide perspective, stress testing is done, at least, annually. The results are reported by the Parent Company's Risk Management Group to the BOD through ROC.

Market risk - banking book

The Group has in place their own risk management system and processes to quantify and manage market risks in the banking book. To the extent applicable, these are generally aligned with the Parent's framework/tools.

The Group assesses interest rate risk in the banking book using measurement tools such as Interest Rate Repricing Gap, Earnings-at-Risk (EaR) and Sensitivity Analysis.

Interest Rate Repricing Gap is a tool that distributes rate-sensitive assets and liabilities into pre-defined tenor buckets according to time remaining to their maturity (if fixed rate) or repricing (if floating rate). Items lacking definitive repricing schedules (for example, current and savings account) and items with actual maturities that could vary from contractual maturities (for example, securities with embedded options) are assigned to repricing tenor buckets based on an analysis of historical patterns, past experience and/or expert judgment.

EaR measures the possible decline in the Group'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.

EaR methodology assumptions and parameters

The Group calculates EaR using Historical Simulations (HS) approach, with one-year horizon and using five years data. EaR is then derived as the 99th percentile biggest drop in net interest income.

The table below shows the EaR profile of the Parent Company and certain subsidiaries as of December 31, 2024 and 2023:

	Parent Company	PSBank	ORIX Metro	Group
2024	(₱2,188.18)	(₱1,625.40)	(₱60.70)	(₱3,601.63)
2023	(4,963.09)	(460.20)	(29.18)	(5,008.08)

The Parent Company generates and monitors daily its EaR exposure while the subsidiaries generate their EaR reports at least monthly.

The Parent Company 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 Parent Company. For 2024 and 2023, the ΔEVE of the Parent Company ranges from (₱1.43 billion) to (₱7.68 billion) and (₱1.65 billion) to (₱0.0 billion), respectively. As of December 31, 2024 and 2023, the ΔEVE stood at (₱1.67 billion) (0.62% of Common Equity Tier 1 (CET1) Capital) and (₱2.3 billion) (0.91% of CET1 Capital), respectively. The Parent Company has adequate capital to support potential change in value of equity even at worst stress scenario.



Aside from the tools above, the Parent Company and its subsidiaries perform regular sensitivity and stress testing analyses on their banking books to broaden their forward-looking analysis. This way, management can craft strategies to address and/or arrest probable risks, if necessary.

Foreign currency risk

Foreign exchange risk is the probability of loss to earnings or capital arising from changes in foreign exchange rates. Foreign currency liabilities generally consist of foreign currency deposits in the Group's FCDU account. Foreign currency deposits are generally used to fund the Group's foreign currency-denominated loan and investment portfolio in the FCDU. Banks are required by the BSP to match the foreign currency liabilities with the foreign currency assets held in FCDUs. Outside the FCDU, the Group has additional foreign currency assets and liabilities in its foreign branch network. The Group's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines.

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

Currency	Consolidated						Parent Company					
	2024			2023			2024			2023		
	Change in Currency Rate in %	Effect on Profit before Tax	Effect on Equity	Change in Currency Rate in %	Effect on Profit before Tax	Effect on Equity	Change in Currency Rate in %	Effect on Profit before Tax	Effect on Equity	Change in Currency Rate in %	Effect on Profit before Tax	Effect on Equity
USD	+1.00%	(65.38)	(0.72)	+1.00%	(14.23)	0.48	+1.00%	(65.51)	(0.54)	+1.00%	(15.14)	0.20
EUR	+1.00%	9.25	0.00	+1.00%	0.82	0.00	+1.00%	9.24	0.00	+1.00%	0.83	0.00
JPY	+1.00%	11.51	0.00	+1.00%	(0.02)	0.00	+1.00%	11.51	0.00	+1.00%	(0.02)	0.00
GBP	+1.00%	(3.77)	0.00	+1.00%	(0.37)	0.00	+1.00%	(3.77)	0.00	+1.00%	(0.37)	0.00
Others	+1.00%	30.17	0.00	+1.00%	33.39	0.00	+1.00%	30.17	0.00	+1.00%	33.39	0.00
USD	-1.00%	65.38	0.72	-1.00%	14.23	(0.48)	-1.00%	65.51	0.54	-1.00%	15.14	(0.20)
EUR	-1.00%	(9.25)	0.00	-1.00%	(0.82)	0.00	-1.00%	(9.24)	0.00	-1.00%	(0.83)	0.00
JPY	-1.00%	(11.51)	0.00	-1.00%	0.02	0.00	-1.00%	(11.51)	0.00	-1.00%	0.02	0.00
GBP	-1.00%	3.77	0.00	-1.00%	0.37	0.00	-1.00%	3.77	0.00	-1.00%	0.37	0.00
Others	-1.00%	(30.17)	0.00	-1.00%	(33.39)	0.00	-1.00%	(30.17)	0.00	-1.00%	(33.39)	0.00

Information relating to the Parent Company's currency derivatives is included in Note 8. As of December 31, 2024 and 2023, the Parent Company has outstanding foreign currency spot transactions (in equivalent peso amounts) of ₱22.8 billion and ₱56.0 billion, respectively (sold), and ₱29.8 billion and ₱55.6 billion, respectively (bought).

The impact on the Parent Company's equity already excludes the impact on transactions affecting the statements of income.

Capital Management

The primary objectives of the Group's capital management are to ensure that it complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital structure, or issue capital securities. No changes were made in the objectives, policies and processes from the previous year.



BSP Reporting

Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the compliance with regulatory requirements and ratios is based on the amount of the “unimpaired capital” (regulatory net worth) as reported to the BSP, which is determined on the basis of regulatory accounting policies that differ from PFRS in some respects.

The Group complied with BSP Circular No. 781, *Basel III Implementing Guidelines on Minimum Capital Requirements*, which provides the implementing guidelines on the revised risk-based capital adequacy framework, particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. BSP Circular No. 781 sets out a minimum CET1 ratio of 6.00% and Tier 1 capital ratio of 7.50%; capital conservation buffer of 2.50% comprised of CET1 capital and Total Capital Adequacy Ratio (CAR) of 10.00%. These ratios shall be maintained at all times. Further, BSP Circular No. 856 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 (CCB) and countercyclical capital buffer (CCYB).

The details of CAR, as reported to the BSP, as of December 31, 2024 and 2023 follow:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Tier 1 capital	₱385,656	₱355,786	₱374,941	₱345,921
CET1 Capital	385,656	355,786	374,941	345,921
Less: Required deductions	39,257	33,739	109,469	101,305
Net Tier 1 Capital	346,399	322,047	265,472	244,616
Tier 2 capital	16,096	15,532	13,035	12,724
Total Qualifying Capital	₱362,495	₱337,579	₱278,507	₱257,340
Credit Risk-Weighted Assets	₱1,875,154	₱1,550,881	₱1,582,671	₱1,296,218
Market Risk-Weighted Assets	93,631	106,231	81,064	91,609
Operational Risk-Weighted Assets	204,508	189,471	168,262	152,223
Total Risk-Weighted Assets	2,173,293	1,846,583	1,831,997	1,540,050
CET1 Ratio*	15.94%	17.44%	14.49%	15.88%
Tier 1 capital ratio	15.94%	17.44%	14.49%	15.88%
Total capital ratio	16.68%	18.28%	15.20%	16.71%

* of which capital conservation buffer in 2024 and 2023 is 9.94% and 11.44% for the Group and 8.49% and 9.88%, respectively, for the Parent Company.

Qualifying capital and risk-weighted assets (RWA) are computed based on BSP regulations. Under Basel III, the regulatory qualifying capital of the Parent Company consists of CET1 capital, which comprises paid-up common stock, additional paid-in capital, retained earnings, including current year profit, retained earnings reserves, OCI and non-controlling interest less required regulatory deductions. The other component of regulatory capital is Tier 2 (supplementary) capital, which includes unsecured subordinated debts and general loan loss provision. RWA consist of total assets excluding 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 (MB) of the BSP. Operational RWA are computed using the Basic Indicator Approach.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the year.



The Internal Capital Adequacy Assessment Process (ICAAP) supplements the BSP's risk-based capital adequacy framework. In compliance with this, the 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 edicts.

Basel III Leverage Ratio (BLR)

BSP Circular Nos. 881 and 990 cover the implementing guidelines on the BLR framework designed to act as a supplementary measure to the risk-based capital requirements and shall not be less than 5.00%. Effective July 1, 2018, the monitoring of the leverage ratio was implemented as a Pillar I minimum requirement.

The details of the BLR, as reported to the BSP, as of December 31, 2024 and 2023 follow:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Tier 1 Capital	₱346,399	₱322,047	₱265,472	₱244,616
Exposure Measure	₱3,663,834	₱3,505,850	₱3,262,566	₱3,101,480
BLR	9.45%	9.19%	8.14%	7.89%

Under the framework, BLR is defined as the capital measure divided by the exposure measure. Capital measure is Tier 1 capital. Exposure measure is the sum of on-balance sheet exposures, derivative exposures, security financing exposures and off-balance sheet items.

Liquidity Coverage Ratio (LCR)

BSP Circular No. 905 provides the implementing guidelines on LCR and disclosure standards that are consistent with the Basel III framework. The LCR is the ratio of high-quality liquid assets to total net cash outflows which should not be lower than 100.00%. Compliance with the LCR minimum requirement commenced on January 1, 2018 with the prescribed minimum ratio of 90.00% for 2018 and 100.00% effective January 1, 2019. As of December 31, 2024 and 2023, the LCR in single currency as reported to the BSP, was at 256.08% and 269.51%, respectively, for the Group, and 263.24% and 300.62%, respectively, for the Parent Company.

Net Stable Funding Ratio (NSFR)

On June 6, 2018, the BSP issued BSP Circular No.1007 covering the implementing guidelines on the adoption of the Basel III Framework on Liquidity Standards – NSFR. The NSFR is aimed to promote long-term resilience against liquidity risk by requiring banks to maintain a stable funding profile in relation to the composition of its assets and off-balance sheet activities. It complements the LCR, which promotes short term resilience of a bank's liquidity profile. Banks shall maintain an NSFR of at least 100 percent (100%) at all times. The implementation of the minimum NSFR shall be phased in to help ensure that covered banks can meet the standard through reasonable measures without disrupting credit extension and financial market activities. An observation period was set from July 1 to December 31, 2018. Effective, January 1, 2019, banks shall comply with the prescribed minimum ratio of 100%. As of December 31, 2024 and 2023, the NSFR as reported to the BSP, was at 160.73% and 140.79%, respectively, for the Group, and 164.22% and 140.65%, respectively, for the Parent Company.



5. Fair Value Measurement

Financial Instruments

The methods and assumptions used by the Group and the Parent Company in estimating the fair values of financial assets and financial liabilities are:

Cash and other cash items, due from BSP and other banks and interbank loans receivable and SPURA

The carrying amounts of instruments with long-term maturities are not material to the financial statements, thus, fair values of these instruments were based on their carrying amounts.

Trading and investment securities

Fair values of debt and equity securities are generally based on quoted market prices. Where the debt securities are not quoted or the market prices are not readily available, the Group and the Parent Company obtained valuations from independent parties offering pricing services, used adjusted quoted market prices of comparable investments, or applied discounted cash flow methodologies. For equity securities that are not quoted, remeasurement to their fair values is not material to the financial statements.

Derivative instruments

Fair values are estimated based on quoted market prices, prices provided by independent parties, or prices derived using acceptable valuation models. The models utilize published underlying rates (for example, interest rates, FX rates, CDS rates, FX volatilities and spot and forward FX rates) and are implemented through validated calculation engines.

Loans and receivables

Fair values of the Group's loans and receivables are estimated using the discounted cash flow methodology, using current incremental lending rates for similar types of loans. Where the instrument reprices on a quarterly basis or has a relatively short maturity, the carrying amounts approximate fair values.

Liabilities

Fair values are estimated using the discounted cash flow methodology using the Group's current borrowing rate for similar borrowings with maturities consistent with those remaining for the liability being valued, if any. The carrying amounts of demand and savings deposit liabilities and other short-term liabilities approximate fair values considering that these are either due and demandable or with short-term maturities.

Non-Financial Assets

Investment properties

Fair value of investment properties is determined based on valuations performed by independent and in-house appraisers using a 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 restrictions, building coverage and floor area ratio restrictions, among others. The fair value of investment properties is based on its highest and best use, which is their current use.



The following tables summarize the carrying amounts and fair values of assets and liabilities, analyzed among those whose fair value is based on:

- Quoted market prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Consolidated				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
2024					
Assets Measured at Fair Value					
Financial Assets					
Investment securities at FVTPL					
FVTPL investments					
Debt securities					
Government	₱101,012	₱101,012	₱—	₱—	₱101,012
BSP	73,496	73,496	—	—	73,496
Treasury notes and bonds	19,886	19,886	—	—	19,886
Treasury bills	6,371	6,371	—	—	6,371
Private	5,265	5,265	—	—	5,265
	206,030	206,030	—	—	206,030
Equity securities	153	153	—	—	153
Derivative assets					
Cross-currency swaps	10,497	—	10,497	—	10,497
Currency forwards	6,950	—	6,950	—	6,950
Interest rate swaps	2,638	—	2,638	—	2,638
Call option	30	—	30	—	30
Put option	4	—	4	—	4
	20,119	—	20,119	—	20,119
	226,302	206,183	20,119	—	226,302
Investment securities at FVOCI					
Debt securities					
Treasury notes and bonds	372,967	356,111	16,856	—	372,967
Government	101,896	101,896	—	—	101,896
BSP	65,412	65,412	—	—	65,412
Private	29,946	29,849	97	—	29,946
Treasury bills	719	719	—	—	719
	570,940	553,987	16,953	—	570,940
Equity securities	2,061	1,773	138	150	2,061
	573,001	555,760	17,091	150	573,001
	₱799,303	₱761,943	₱37,210	₱150	₱799,303
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost					
Treasury notes and bonds	₱418,170	₱410,821	₱8,375	₱—	₱419,196
Government	55,606	51,412	1,385	—	52,797
Private	1,248	1,253	—	—	1,253
	475,024	463,486	9,760	—	473,246
Loans and receivables - net					
Receivables from customers					
Commercial loans	1,332,959	—	—	1,492,633	1,492,633
Credit card	147,795	—	—	147,795	147,795
Auto loans	110,983	—	—	145,094	145,094
Residential mortgage loans	96,711	—	—	168,836	168,836
Trade loans	67,625	—	—	67,625	67,625
Others	16,556	—	—	16,992	16,992
	1,772,629	—	—	2,038,975	2,038,975
Unquoted debt securities	17	—	—	17	17
Sales contract receivable	20	—	—	20	20
	1,772,666	—	—	2,039,012	2,039,012
Other assets	1,348	983	154	282	1,419
	2,249,038	464,469	9,914	2,039,294	2,513,677

(Forward)



	Consolidated				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Non-Financial Assets					
Investment properties	₱7,805	₱—	₱—	₱16,630	₱16,630
Residual value of leased assets	391	—	—	359	359
	8,196	—	—	16,989	16,989
	₱2,257,234	₱464,469	₱9,914	₱2,056,283	₱2,530,666
Liabilities Measured at Fair Value					
Financial Liabilities					
Financial liabilities at FVTPL					
Derivative liabilities					
Currency forwards	₱7,445	₱—	₱7,445	₱—	₱7,445
Cross-currency swaps	4,912	—	4,912	—	4,912
Interest rate swaps	940	—	940	—	940
Credit default swaps	48	—	48	—	48
Call option	22	—	22	—	22
Put option	3	—	3	—	3
	₱13,370	₱—	₱13,370	₱—	₱13,370
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities					
Time	₱1,085,939	₱—	₱—	₱1,088,599	₱1,088,599
Bills payable and SSURA	300,651	—	—	300,745	300,745
Bonds payable	107,236	104,161	—	2,377	106,538
Other Liabilities					
Deposits on lease contracts	665	—	—	635	635
	₱1,494,491	₱104,161	₱—	₱1,392,356	₱1,496,517
2023					
Assets Measured at Fair Value					
Financial Assets					
Investment securities at FVTPL					
FVTPL investments					
Debt securities					
Government	₱16,264	₱16,264	₱—	₱—	₱16,264
BSP	13,937	13,937	—	—	13,937
Treasury notes and bonds	10,096	10,096	—	—	10,096
Private	4,659	4,659	—	—	4,659
Treasury bills	1,174	1,174	—	—	1,174
	46,130	46,130	—	—	46,130
Equity securities	6,804	6,804	—	—	6,804
Derivative assets					
Currency forwards	10,116	—	10,116	—	10,116
Cross-currency swaps	8,082	—	8,082	—	8,082
Interest rate swaps	3,638	—	3,638	—	3,638
Bond futures	40	—	40	—	40
Put option	34	—	34	—	34
Call option	12	—	12	—	12
	21,922	—	21,922	—	21,922
	74,856	52,934	21,922	—	74,856
Investment securities at FVOCI					
Debt securities					
Treasury notes and bonds	366,864	365,054	1,810	—	366,864
Government	71,444	70,893	551	—	71,444
BSP	50,889	50,889	—	—	50,889
Private	45,151	45,096	55	—	45,151
Treasury bills	355	355	—	—	355
	534,703	532,287	2,416	—	534,703
Equity securities	1,920	1,694	226	—	1,920
	536,623	533,981	2,642	—	536,623
	₱611,479	₱586,915	₱24,564	₱—	₱611,479
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost					
Treasury notes and bonds	₱417,868	₱413,330	₱7,802	₱—	₱421,132
Government	49,419	47,719	287	—	48,006
Private	3,063	3,013	—	—	3,013
Treasury bills	288	291	—	—	291
	470,638	464,353	8,089	—	472,442

(Forward)



	Consolidated				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
Loans and receivables - net					
Receivables from customers					
Commercial loans	₱1,132,348	₱-	₱-	₱1,328,057	₱1,328,057
Credit card	124,963	-	-	124,963	124,963
Auto loans	91,880	-	-	122,206	122,206
Residential mortgage loans	91,711	-	-	154,568	154,568
Trade loans	51,033	-	-	51,033	51,033
Others	12,263	-	-	12,907	12,907
	1,504,198	-	-	1,793,734	1,793,734
Unquoted debt securities	545	-	-	558	558
Sales contract receivable	29	-	-	30	30
	1,504,772	-	-	1,794,322	1,794,322
Other assets	386	-	-	472	472
	1,975,796	464,353	8,089	1,794,794	2,267,236
Non-Financial Assets					
Investment properties	8,107	-	-	16,113	16,113
Residual value of leased assets	470	-	-	430	430
	8,577	-	-	16,543	16,543
	₱1,984,373	₱464,353	₱8,089	₱1,811,337	₱2,283,779
Liabilities Measured at Fair Value					
Financial Liabilities					
Financial liabilities at FVTPL					
Derivative liabilities					
Currency forwards	₱9,629	₱-	₱9,629	₱-	₱9,629
Cross-currency swaps	5,900	-	5,900	-	5,900
Interest rate swaps	1,086	-	1,086	-	1,086
Bond futures	143	-	143	-	143
Credit default swaps	53	-	53	-	53
Put option	36	-	36	-	36
Call option	18	-	18	-	18
Non-equity non-controlling interest	10,260	-	10,260	-	10,260
	₱27,125	₱-	₱27,125	₱-	₱27,125
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities					
Time	₱925,885	₱-	₱-	₱929,288	₱929,288
LTNCD	17,514	8,657	3,723	5,112	17,492
	943,399	8,657	3,723	934,400	946,780
Bills payable and SSURA	156,896	-	-	157,139	157,139
Bonds payable	70,089	68,352	-	-	68,352
Other Liabilities					
Deposits on lease contracts	783	-	-	734	734
	₱1,171,167	₱77,009	₱3,723	₱1,092,273	₱1,173,005
	Parent Company				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
2024					
Assets Measured at Fair Value					
Financial Assets					
Investment securities at FVTPL					
FVTPL investments					
Debt securities					
Government	₱101,012	₱101,012	₱-	₱-	₱101,012
BSP	73,496	73,496	-	-	73,496
Treasury notes and bonds	19,585	19,585	-	-	19,585
Treasury bills	6,371	6,371	-	-	6,371
Private	5,265	5,265	-	-	5,265
	205,729	205,729	-	-	205,729
Equity securities	76	76	-	-	76
Derivative assets					
Cross-currency swaps	10,496	-	10,496	-	10,496
Currency forwards	6,950	-	6,950	-	6,950
Interest rate swaps	2,638	-	2,638	-	2,638
Call option	30	-	30	-	30
Put option	4	-	4	-	4
	20,118	-	20,118	-	20,118
	225,923	205,805	20,118	-	225,923

(Forward)



	Parent Company				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
Investment securities at FVOCI					
Debt securities:					
Treasury notes and bonds	₱350,919	₱350,287	₱632	₱–	₱350,919
Government	99,832	99,832	–	–	99,832
BSP	56,943	56,943	–	–	56,943
Private	3,374	3,374	–	–	3,374
	511,068	510,436	632	–	511,068
Equity securities	1,047	957	90	–	1,047
	512,115	511,393	722	–	512,115
	₱738,038	₱717,198	₱20,840	₱–	₱738,038
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost					
Treasury notes and bonds	₱400,462	₱401,664	₱–	₱–	₱401,664
Government	44,293	42,568	–	–	42,568
	444,755	444,232	–	–	444,232
Loans and receivables - net					
Receivables from customers					
Commercial loans	1,248,749	–	–	1,405,561	1,405,561
Credit card	147,795	–	–	147,795	147,795
Trade loans	62,072	–	–	62,072	62,072
Residential mortgage loans	53,364	–	–	102,219	102,219
Auto loans	23,016	–	–	45,281	45,281
Others	15,136	–	–	15,136	15,136
	1,550,132	–	–	1,778,064	1,778,064
Unquoted debt securities	17	–	–	17	17
Sales contract receivable	16	–	–	16	16
	1,550,165	–	–	1,778,097	1,778,097
Other Assets	983	983	–	–	983
	1,995,903	445,215	–	1,778,097	2,223,312
Non-Financial Assets					
Investment properties	3,565	–	–	8,927	8,927
	₱1,999,468	₱445,215	₱–	₱1,787,024	₱2,232,239
Liabilities Measured at Fair Value					
Financial Liabilities					
Financial liabilities at FVTPL					
Derivative liabilities					
Currency forwards	₱7,445	₱–	₱7,445	₱–	₱7,445
Cross-currency swaps	4,912	–	4,912	–	4,912
Interest rate swaps	940	–	940	–	940
Credit default swaps	48	–	48	–	48
Call option	22	–	22	–	22
Put option	2	–	2	–	2
	₱13,369	₱–	₱13,369	₱–	₱13,369
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities					
Time	₱930,174	₱–	₱–	₱930,174	₱930,174
Bills payable and SSURA	286,541	–	–	286,541	286,541
Bonds payable	104,858	104,161	–	–	104,161
	₱1,321,573	₱104,161	₱–	₱1,216,715	₱1,320,876
2023					
Assets Measured at Fair Value					
Financial Assets					
Investment securities at FVTPL					
FVTPL investments					
Debt securities					
Government	₱16,068	₱16,068	–	–	₱16,068
BSP	13,937	13,937	–	–	13,937
Treasury notes and bonds	8,951	8,951	–	–	8,951
Private	4,386	4,386	–	–	4,386
Treasury bills	1,174	1,174	–	–	1,174
	44,516	44,516	–	–	44,516
Equity securities	64	64	–	–	64

(Forward)



	Parent Company				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
Derivative assets					
Currency forwards	₱10,116	₱–	₱10,116	₱–	₱10,116
Cross-currency swaps	8,082	–	8,082	–	8,082
Interest rate swaps	3,638	–	3,638	–	3,638
Bond futures	40	–	40	–	40
Put option	33	–	33	–	33
Call option	12	–	12	–	12
	21,921	–	21,921	–	21,921
	66,501	44,580	21,921	–	66,501
Investment securities at FVOCI					
Debt securities:					
Treasury notes and bonds	360,273	360,273	–	–	360,273
Government	71,289	70,737	552	–	71,289
Private	10,252	10,197	55	–	10,252
	441,814	441,207	607	–	441,814
Equity securities	860	771	89	–	860
	442,674	441,978	696	–	442,674
	₱509,175	₱486,558	₱22,617	₱–	₱509,175
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost					
Treasury notes and bonds	₱400,420	₱403,880	₱–	₱–	₱403,880
Government	38,017	37,441	–	–	37,441
	438,437	441,321	–	–	441,321
Loans and receivables - net					
Receivables from customers					
Commercial loans	1,058,588	–	–	1,169,776	1,169,776
Credit card	124,963	–	–	124,963	124,963
Residential mortgage loans	51,496	–	–	92,864	92,864
Trade loans	47,279	–	–	47,279	47,279
Auto loans	20,740	–	–	40,975	40,975
Others	10,457	–	–	10,457	10,457
	1,313,523	–	–	1,486,314	1,486,314
Unquoted debt securities	102	–	–	102	102
Sales contract receivable	23	–	–	23	23
	1,313,648	–	–	1,486,439	1,486,439
	1,752,085	441,321	–	1,486,439	1,927,760
Non-Financial Assets					
Investment properties	3,597	–	–	8,267	8,267
	₱ 1,755,682	₱441,321	₱–	₱1,494,706	₱1,936,027
Liabilities Measured at Fair Value					
Financial Liabilities					
Financial liabilities at FVTPL					
Derivative liabilities					
Currency forwards	₱9,629	₱–	₱9,629	₱–	₱9,629
Cross-currency swaps	5,900	–	5,900	–	5,900
Interest rate swaps	1,085	–	1,085	–	1,085
Bond futures	143	–	143	–	143
Credit default swaps	53	–	53	–	53
Put option	34	–	34	–	34
Call option	18	–	18	–	18
	₱16,862	₱–	₱16,862	₱–	₱16,862
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities					
Time	₱757,204	₱–	₱–	₱757,204	₱757,204
LTNCD	12,430	8,657	3,723	–	12,380
	769,634	8,657	3,723	757,204	769,584
Bills payable and SSURA	141,081	–	–	141,081	141,081
Bonds payable	70,089	68,352	–	–	68,352
	₱980,804	₱77,009	₱3,723	₱898,285	₱979,017

As of December 31, 2024 and 2023, there were no transfers between levels of the fair value hierarchy.



When fair values of listed equity and debt securities, as well as publicly traded derivatives at the statement of financial position 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.

6. Segment Information

The Group's operating businesses are recognized and managed separately according to the nature of services provided and the different markets served with segment representing a strategic business unit. Operating segments are reported in accordance with internal reporting to the Senior Management who is responsible for allocating resources to the segments and assessing its performance. The financial reporting basis used in the internal reporting is PFRS.

The Group's business segments follow:

- Consumer Banking - principally providing consumer type loans and support for effective sourcing and generation of consumer business;
- Corporate Banking - principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers;
- Investment Banking - principally arranging structured financing, and providing services relating to privatizations, initial public offerings, mergers and acquisitions; and providing advisory services primarily aimed to create wealth to individuals and institutions;
- Treasury - principally providing money market, trading and treasury services, as well as the management of the Group's funding operations by use of treasury bills, government securities and placements and acceptances with other banks, through treasury and corporate banking;
- Branch Banking - principally handling branch deposits and providing loans and other loan related businesses for domestic middle market clients; and
- Others - principally handling other services including but not limited to remittances, leasing, account financing, and other support services. Other operations of the Group comprise the operations and financial control groups.

Segment assets are those operating assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment liabilities are those operating liabilities that result from the operating activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Interest income is reported net, as management primarily relies on the net interest income as performance measure, not the gross income and expense. The Group has no significant customers which contributes 10.00% or more of the consolidated revenue net of interest expense. Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is charged/credited to business segments based on a pool rate which approximates the cost of funds.



The following table presents revenue and income information of operating segments presented in accordance with PFRS and segment assets and liabilities:

	Consumer Banking	Corporate Banking	Investment Banking	Treasury	Branch Banking	Others	Total
2024							
Results of Operations							
Net interest income (expense)							
Third party	₱27,006	₱71,390	₱—	₱18,853	(₱4,926)	₱1,792	₱114,115
Intersegment	(6,900)	(56,895)	—	(655)	64,450	—	—
Net interest income after intersegment transactions	20,106	14,495	—	18,198	59,524	1,792	114,115
Non-interest income	10,426	1,080	102	4,269	6,305	7,037	29,219
Revenue - net of interest expense	30,532	15,575	102	22,467	65,829	8,829	143,334
Non-interest expense	21,559	3,215	6	7,882	24,312	26,547	83,521
Income (loss) before share in net income of subsidiaries, associates and a JV	8,973	12,360	96	14,585	41,517	(17,718)	59,813
Share in net income of subsidiaries, associates and a JV	—	68	—	—	—	697	765
Provision for income tax	(9)	(932)	—	(9,988)	(103)	(313)	(11,345)
Non-controlling interest in net income of consolidated subsidiaries	—	—	—	—	—	(1,096)	(1,096)
Net income (loss)	₱8,964	₱11,496	₱96	₱4,597	₱41,414	(₱18,430)	₱48,137
Statement of Financial Position							
Total assets	₱276,703	₱1,393,539	₱—	₱1,414,826	₱200,691	₱234,596	₱3,520,355
Total liabilities	₱154,153	₱1,047,994	₱—	₱1,377,635	₱290,227	₱253,941	₱3,123,950
Other Segment Information							
Capital expenditures	₱447	₱82	₱—	₱1,225	₱196	₱4,339	₱6,289
Depreciation and amortization	₱562	₱304	₱—	₱91	₱2,395	₱3,434	₱6,786
Provision for credit and impairment losses	₱9,495	(₱3,010)	₱—	(₱2)	₱153	(₱276)	₱6,360
2023							
Results of Operations							
Net interest income (expense)							
Third party	₱22,753	₱60,783	₱—	₱22,303	(₱3,092)	₱2,223	₱104,970
Intersegment	(5,230)	(49,330)	—	(4,485)	59,045	—	—
Net interest income after intersegment transactions	17,523	11,453	—	17,818	55,953	2,223	104,970
Non-interest income	9,707	1,250	198	2,336	6,385	8,628	28,504
Revenue - net of interest expense	27,230	12,703	198	20,154	62,338	10,851	133,474
Non-interest expense	15,974	6,258	50	5,403	23,841	26,974	78,500
Income (loss) before share in net income of subsidiaries, associates and a JV	11,256	6,445	148	14,751	38,497	(16,123)	54,974
Share in net income of subsidiaries, associates and a JV	—	86	—	—	—	789	875
Provision for income tax	257	(726)	—	(8,769)	258	(3,910)	(12,890)
Non-controlling interest in net income of consolidated subsidiaries	—	—	—	—	—	(721)	(721)
Net income (loss)	₱11,513	₱5,805	₱148	₱5,982	₱38,755	(₱19,965)	₱42,238
Statement of Financial Position							
Total assets	₱234,876	₱1,178,680	₱—	₱1,256,486	₱181,312	₱253,548	₱3,104,902
Total liabilities	₱125,072	₱1,118,249	₱—	₱1,200,606	₱273,011	₱21,226	₱2,738,164
Other Segment Information							
Capital expenditures	₱451	₱47	₱—	₱179	₱72	₱3,956	₱4,705
Depreciation and amortization	₱413	₱335	₱—	₱90	₱2,308	₱3,776	₱6,922
Provision for credit and impairment losses	₱6,415	₱1,323	₱—	(₱5)	₱175	₱1,070	₱8,978
2022							
Results of Operations							
Net interest income (expense)							
Third party	₱14,728	₱38,478	₱—	₱22,951	₱7,211	₱2,161	₱85,529
Intersegment	(2,727)	(24,893)	—	320	27,300	—	—
Net interest income after intersegment transactions	12,001	13,585	—	23,271	34,511	2,161	85,529
Non-interest income	9,400	1,081	165	2,974	6,388	6,785	26,793
Revenue - net of interest expense	21,401	14,666	165	26,245	40,899	8,946	112,322
Non-interest expense	13,507	5,269	9	3,856	21,978	24,489	69,108
Income (loss) before share in net income of subsidiaries, associates and a JV	7,894	9,397	156	22,389	18,921	(15,543)	43,214

(Forward)



	Consumer Banking	Corporate Banking	Investment Banking	Treasury	Branch Banking	Others	Total
Share in net income of subsidiaries, associates and a JV	P—	P83	P—	(P27)	P—	P648	P704
Provision for income tax	(138)	(413)	—	(5,292)	(305)	(4,472)	(10,620)
Non-controlling interest in net income of consolidated subsidiaries	—	—	—	—	—	(522)	(522)
Net income (loss)	P7,756	P9,067	P156	P17,070	P18,616	(P19,889)	P32,776
Statement of Financial Position							
Total assets	P187,083	P1,095,896	P—	P1,103,122	P180,212	P276,777	P2,843,090
Total liabilities	P102,803	P1,061,101	P—	P1,034,000	P273,942	P43,154	P2,515,000
Other Segment Information							
Capital expenditures	P409	P99	P—	P124	P58	P3,003	P3,693
Depreciation and amortization	P358	P320	P—	P64	P2,001	P3,233	P5,976
Provision for credit and impairment losses	P5,721	P1,375	P—	(P19)	P207	P828	P8,112

Non-interest income consists of service charges, fees and commissions, profit from assets sold, trading and securities gain/(loss) - net, foreign exchange gain (loss) - net, income from trust operations, leasing, dividends and miscellaneous income. Non-interest expense consists of compensation and fringe benefits, taxes and licenses, provision for credit and impairment losses, depreciation and amortization, occupancy and equipment-related costs, amortization of software costs, and miscellaneous expenses.

Geographical Information

The Group operates in four geographic markets: Philippines, Asia other than Philippines, USA and Europe (Note 2).

The following tables show the distribution of Group's external net operating income and non-current assets allocated based on the location of the customers and assets, respectively, for the years ended December 31:

	Philippines	Asia (Other than Philippines)	USA	Europe	Total
2024					
Interest income	P171,503	P6,055	P106	P—	P177,664
Interest expense	(60,705)	(2,832)	(12)	—	(63,549)
Net interest income	110,798	3,223	94	—	114,115
Non-interest income	27,112	1,601	465	41	29,219
Provision for credit and impairment losses	(6,107)	(253)	—	—	(6,360)
Total external net operating income	P131,803	P4,571	P559	P41	P136,974
Non-current assets	P35,421	P409	P19	P3	P35,852
2023					
Interest income	P147,670	P5,766	P176	P—	P153,612
Interest expense	(46,416)	(2,213)	(13)	—	(48,642)
Net interest income	101,254	3,553	163	—	104,970
Non-interest income	26,445	1,531	487	41	28,504
Provision for credit and impairment losses	(8,697)	(281)	—	—	(8,978)
Total external net operating income	P119,002	P4,803	P650	P41	P124,496
Non-current assets	P33,895	P428	P17	P3	P34,343
2022					
Interest income	P97,745	P4,516	P109	P—	P102,370
Interest expense	(14,858)	(1,936)	(47)	—	(16,841)
Net interest income	82,887	2,580	62	—	85,529
Non-interest income	25,308	956	492	37	26,793
Provision for credit and impairment losses	(7,812)	(300)	—	—	(8,112)
Total external net operating income	P100,383	P3,236	P554	P37	P104,210
Non-current assets	P33,764	P490	P11	P3	P34,268

Non-current assets consist of property and equipment excluding ROU assets, investment properties, chattel properties acquired in foreclosure, software costs and assets held under joint operations.



7. Interbank Loans Receivable and Securities Purchased Under Resale Agreements

This account consists of:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Interbank loans receivable - net (Note 32)	₱79,821	₱35,313	₱53,906	₱29,230
SPURA	1,466	37,666	—	29,956
	₱81,287	₱72,979	₱53,906	₱59,186

As of December 31, 2024 and 2023, the allowance for credit losses for interbank loans receivable amounted to ₱61.7 million and ₱35.8 million, respectively, for the Group and ₱54.6 million and ₱32.8 million, respectively, for the Parent Company (Note 15).

In 2024, 2023 and 2022, the interest rates of the interbank loans receivables ranged from 0.00% to 5.94%, 0.00% to 6.25%, and 0.00% to 5.90%, respectively, for the Group, and 0.00% to 5.94%, 0.00% to 6.25%, and 0.00% to 5.05%, respectively, for the Parent Company.

8. Trading and Investment Securities

This account consists of:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Investment securities at:				
FVTPL	₱226,302	₱74,856	₱225,923	₱66,501
FVOCI (Note 17 & 29)	573,001	536,623	512,115	442,674
Amortized cost (Note 17 & 29)	475,024	470,638	444,755	438,437
	₱1,274,327	₱1,082,117	₱1,182,793	₱947,612

Investment securities at FVTPL consist of the following:

	Consolidated		Parent Company	
	2024	2023	2024	2023
HFT investments				
Debt securities				
Government	₱101,012	₱16,264	₱101,012	₱16,068
BSP	73,496	13,937	73,496	13,937
Treasury notes and bonds	19,886	10,096	19,585	8,951
Treasury bills	6,371	1,174	6,371	1,174
Private	5,265	4,659	5,265	4,386
	206,030	46,130	205,729	44,516
Equity securities	153	6,804	76	64
	206,183	52,934	205,805	44,580
Derivative assets	20,119	21,922	20,118	21,921
	₱226,302	₱74,856	₱225,923	₱66,501



The following are the fair values of the Parent Company's derivative financial instruments recorded as 'Derivative assets/liabilities', together with the notional amounts. The notional amount is the amount or quantity of a derivative's underlying asset, and is the basis upon which changes in the value are measured. The notional amounts indicate the volume of transactions outstanding as of December 31, 2024 and 2023 and are not indicative of either market risk or credit risk.

	Derivative Assets	Derivative Liabilities	Notional Amount
December 31, 2024			
Freestanding derivatives:			
Currency forwards			
Bought	₱2,068	₱4,509	₱385,994
Sold	4,882	2,936	371,734
Interest rate swaps	2,638	940	325,492
Cross-currency swaps	10,496	4,912	371,554
OTC FX Options	34	24	13,935
Credit default swaps	—	48	3,181
	₱20,118	₱13,369	₱1,471,890
December 31, 2023			
Freestanding derivatives:			
Currency forwards			
Bought	₱3,993	₱7,780	₱676,781
Sold	6,123	1,849	474,199
Interest rate swaps	3,638	1,085	234,251
Cross-currency swaps	8,082	5,900	311,368
OTC FX Options	45	52	25,108
Credit default swaps	—	53	3,045
Bond Futures	40	143	13,095
	₱21,921	₱16,862	₱1,737,847

As of December 31, 2024 and 2023, the Group's derivative assets include FX options and cross-currency swaps entered into by the subsidiaries amounting to ₱1.3 million and ₱1.6 million, respectively. As of December 31, 2024 and 2023, the Group's derivative liabilities include interest rate swaps and FX options entered into by the subsidiaries amounting to ₱1.5 million and ₱3.7 million, respectively.

Investment securities at FVOCI as of December 31, 2024 and 2023 consist of the following:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Debt securities				
Treasury notes and bonds				
(Note 17)	₱372,967	₱366,864	₱350,919	₱360,273
Government (Note 17)	101,896	71,444	99,832	71,289
BSP	65,412	50,889	56,943	—
Private	29,946	45,151	3,374	10,252
Treasury bills	719	355	—	—
	570,940	534,703	511,068	441,814
Equity securities	2,061	1,920	1,047	860
	₱573,001	₱536,623	₱512,115	₱442,674



The equity securities are irrevocably designated at FVOCI as these are held for long term-strategic purpose rather than for trading. These equity securities include golf club shares and non-marketable equity securities. In 2024 and 2023, as part of its risk management, the Group disposed equity securities at FVOCI with total carrying value of ₱156.5 million and ₱94.1 million, respectively, and recognized loss on disposal charged against 'Surplus' of ₱96.7 million and ₱84.6 million, respectively. No dividends were recognized for the disposed equity securities in 2024 and 2023.

Outstanding equity securities at FVOCI as of December 31, 2024 and 2023 generated dividends amounting to ₱48.1 million and ₱47.8 million, respectively for the Group, and ₱12.9 million and ₱14.9 million, respectively, for the Parent Company.

As of December 31, 2024 and 2023, the ECL on debt securities at FVOCI (included in 'Net unrealized gain (loss) on investment securities at FVOCI') amounted to ₱869.3 million and ₱809.5 million, respectively, for the Group and ₱863.1 million and ₱809.5 million, respectively, for the Parent Company (Note 15).

As of December 31, 2024 and 2023, investment securities at FVOCI include floating and fixed rate private notes with total carrying value of USD10.9 million and USD11.0 million, respectively (with peso equivalent of ₱631.9 million and ₱606.4 million, respectively) which are pledged by the Parent Company's New York Branch in compliance with the regulatory requirements of the Federal Deposit Insurance Corporation and the Office of the Controller of the Currency in New York.

Movements in net unrealized gains (losses), including share in net unrealized gains (losses) of subsidiaries (Note 11), presented under 'Equity' in the statements of financial position are as follows:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Balance at January 1	(₱10,106)	(₱23,133)	(₱10,065)	(₱23,076)
Unrealized gain recognized in OCI	3,949	14,533	3,774	14,400
Amounts realized in surplus	96	85	96	85
Amounts realized in profit or loss	(1,511)	(153)	(1,331)	(87)
	(7,572)	(8,668)	(7,526)	(8,678)
Tax (Note 28)	(659)	(1,438)	(659)	(1,387)
Balance at December 31	(₱8,231)*	(₱10,106)*	(₱8,185)	(₱10,065)

* Includes share of non-controlling interest in unrealized losses amounting to ₱46.4 million and ₱41.6 million, respectively, as of December 31, 2024 and 2023.

Investment securities at amortized cost as of December 31, 2024 and 2023 consist of the following:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Treasury notes and bonds (Note 17)	₱418,170	₱417,868	₱400,462	₱400,420
Government (Note 17)	55,926	49,790	44,603	38,378
Private	1,249	3,067	—	—
Treasury bills	—	288	—	—
	475,345	471,013	445,065	438,798
Less: allowance for credit losses (Note 15)	321	375	310	361
	₱475,024	₱470,638	₱444,755	₱438,437



Interest income on investment securities at FVOCI and at amortized cost consists of:

	Consolidated			Parent Company		
	2024	2023	2022	2024	2023	2022
Investment securities at FVOCI	₱23,035	₱18,015	₱15,997	₱19,717	₱13,536	₱13,157
Investment securities at amortized cost	26,979	25,599	9,941	25,597	24,118	8,844
	₱50,014	₱43,614	₱25,938	₱45,314	₱37,654	₱22,001

In 2024, 2023 and 2022, foreign currency-denominated trading and investment securities bear nominal annual interest rates ranging from 0.10% to 10.63% for the Group and the Parent Company while peso-denominated trading and investment securities bear nominal annual interest rates ranging from 2.63% to 18.25%, 2.38% to 18.25%, and 2.38% to 18.25%, respectively, for the Group and the Parent Company.

Trading and securities gain/(loss) - net consists of:

	Consolidated			Parent Company		
	2024	2023	2022	2024	2023	2022
Investment securities at FVTPL	₱2,462	₱1,799	(₱4,128)	₱1,903	₱1,708	(₱3,515)
Derivative assets/liabilities – net	5,334	(1,922)	9,369	5,348	(1,923)	9,373
Debt securities at FVOCI	1,511	153	697	1,331	87	676
	9,307	30	5,938	8,582	(128)	6,534
Income (loss) attributable to non-equity non-controlling interests (Note 21)	(403)	(124)	463	–	–	–
	₱8,904	(₱94)	₱6,401	₱8,582	(₱128)	₱6,534

Trading gains on debt securities at FVOCI represent realized gains previously reported in OCI.

9. Loans and Receivables

This account consists of:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Receivables from customers (Note 32)				
Commercial loans (Note 13)	₱1,362,436	₱1,166,207	₱1,272,178	₱1,085,887
Credit card	173,084	146,261	173,084	146,261
Auto loans	113,884	96,387	23,424	21,304
Residential mortgage loans	97,931	93,541	54,087	52,274
Trade loans	68,311	51,618	62,758	47,864
Others (Note 13)	17,195	13,032	15,454	10,684
	1,832,841	1,567,046	1,600,985	1,364,274
Less unearned discounts and capitalized interest	17,738	15,637	15,597	13,545
	1,815,103	1,551,409	1,585,388	1,350,729
Unquoted debt securities				
Private	385	829	385	386
Government	18	105	18	105
	403	934	403	491
Accrued interest receivable (Note 32)	24,805	20,895	21,703	17,396
Accounts receivable (Note 32)	22,118	15,094	8,735	7,655
Sales contract receivable	23	32	18	25
Other receivables	12	396	2	2
	1,862,464	1,588,760	1,616,249	1,376,298
Less allowance for credit losses (Note 15)	46,454	51,594	38,630	40,962
	₱1,816,010	₱1,537,166	₱1,577,619	₱1,335,336



Receivables from customers consist of:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Loans and discounts	₱1,754,641	₱1,506,507	₱1,527,835	₱1,307,524
Less unearned discounts and capitalized interest	17,738	15,637	15,597	13,545
	1,736,903	1,490,870	1,512,238	1,293,979
Customers' liabilities under letters of credit (LC)/trust receipts	64,682	50,953	59,129	47,199
Bills purchased (Note 21)	13,518	9,586	14,021	9,551
	₱1,815,103	₱1,551,409	₱1,585,388	₱1,350,729

As of December 31, 2024 and 2023, receivables from customers of the Group include lease contract receivables amounting ₱2.0 billion (Note 13) and notes receivable financed amounting to ₱13.8 billion and ₱14.1 billion, respectively.

Interest income on loans and receivables consists of:

	Consolidated			Parent Company		
	2024	2023	2022	2024	2023	2022
Receivables from customers (Note 32)	₱112,266	₱96,103	₱66,112	₱96,579	₱82,103	₱53,653
Customers' liabilities under LC/trust receipts	2,968	2,503	1,773	2,968	2,503	1,773
Lease contract receivables	1,490	1,738	2,019	—	—	—
Others	128	195	277	114	183	270
	₱116,852	₱100,539	₱70,181	₱99,661	₱84,789	₱55,696

As of December 31, 2024 and 2023, 74.71% and 75.51%, respectively, of the total receivables from customers of the Group, and 82.31% and 83.22%, respectively, of the total receivables from customers of the Parent Company are subject to periodic interest repricing. In 2024, 2023 and 2022, the remaining peso receivables from customers earn annual fixed interest rates ranging from 3.00% to 40.38%, from 3.00% to 41.72%, and from 4.70% to 38.80%, respectively for the Group, and 3.80% to 36.00%, 3.80% to 36.00%, and 6.00% to 24.00% for the Parent Company, while foreign currency-denominated receivables from customers earn annual fixed interest rates ranging from 2.25% to 36.00%, from 1.00% to 36.00% and from 1.05% to 24.00%, respectively for the Group and 3.02% to 36.00%, 3.00% to 36.00% and 1.05% to 24.00%, respectively for the Parent Company.

10. Property and Equipment

The composition and movements in the account follow:

	Consolidated						Total
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	BUC	ROU Assets	
2024							
Cost							
Balance at January 1	₱5,941	₱17,157	₱22,346	₱5,344	₱327	₱9,945	₱61,060
Additions	—	8	3,131	43	1,071	2,135	6,388
Disposals/early termination	—	—	(1,775)	(1)	—	(1,238)	(3,014)
Reclassification/others	(3)	(672)	4	249	(516)	(174)	(1,112)
Balance at December 31	5,938	16,493	23,706	5,635	882	10,668	63,322

(Forward)



Consolidated							
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	BUC	ROU Assets	Total
Accumulated depreciation and amortization							
Balance at January 1	₱—	₱9,006	₱15,733	₱4,302	₱—	₱4,768	₱33,809
Depreciation and amortization	—	550	2,480	308	—	1,881	5,219
Disposals/early termination	—	—	(1,603)	(2)	—	(1,223)	(2,828)
Reclassification/others	—	(909)	10	(18)	—	(85)	(1,002)
Balance at December 31	—	8,647	16,620	4,590	—	5,341	35,198
Allowance for impairment losses	—	8	—	—	—	—	8
Net book value at December 31	₱5,938	₱7,838	₱7,086	₱1,045	₱882	₱5,327	₱28,116
2023							
Cost							
Balance at January 1	₱5,942	₱16,679	₱21,093	₱4,646	₱425	₱9,019	₱57,804
Additions	—	23	2,651	455	622	2,253	6,004
Disposals/early termination	—	—	(1,391)	(6)	—	(1,000)	(2,397)
Reclassification/others	(1)	455	(7)	249	(720)	(327)	(351)
Balance at December 31	5,941	17,157	22,346	5,344	327	9,945	61,060
Accumulated depreciation and amortization							
Balance at January 1	—	8,238	14,537	3,992	—	3,876	30,643
Depreciation and amortization	—	762	2,431	320	—	1,863	5,376
Disposals/early termination	—	—	(1,233)	(6)	—	(966)	(2,205)
Reclassification/others	—	6	(2)	(4)	—	(5)	(5)
Balance at December 31	—	9,006	15,733	4,302	—	4,768	33,809
Allowance for impairment losses	—	8	—	—	—	—	8
Net book value at December 31	₱5,941	₱8,143	₱6,613	₱1,042	₱327	₱5,177	₱27,243
Parent Company							
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	BUC	ROU Assets	Total
2024							
Cost							
Balance at January 1	₱4,804	₱15,784	₱11,952	₱3,643	₱327	₱6,358	₱42,868
Additions	—	—	1,233	1	1,071	1,464	3,769
Disposals/early termination	—	—	(413)	—	—	(788)	(1,201)
Reclassification/others	(3)	(672)	32	250	(517)	3	(907)
Balance at December 31	4,801	15,112	12,804	3,894	881	7,037	44,529
Accumulated depreciation and amortization							
Balance at January 1	—	8,251	8,835	2,727	—	2,724	22,537
Depreciation and amortization	—	507	1,181	242	—	1,193	3,123
Disposals	—	—	(368)	—	—	(782)	(1,150)
Reclassification/others	—	(912)	34	(15)	—	8	(885)
Balance at December 31	—	7,846	9,682	2,954	—	3,143	23,625
Allowance for impairment losses	—	8	—	—	—	—	8
Net book value at December 31	₱4,801	₱7,258	₱3,122	₱940	₱881	₱3,894	₱20,896
2023							
Cost							
Balance at January 1	₱4,805	₱15,318	₱11,225	₱2,976	₱425	₱5,755	₱40,504
Additions	—	8	1,137	414	622	1,579	3,760
Disposals/early termination	—	—	(414)	—	—	(632)	(1,046)
Reclassification/others	(1)	458	4	253	(720)	(344)	(350)
Balance at December 31	4,804	15,784	11,952	3,643	327	6,358	42,868
Accumulated depreciation and amortization							
Balance at January 1	—	7,525	8,023	2,479	—	2,212	20,239
Depreciation and amortization	—	720	1,168	251	—	1,147	3,286
Disposals	—	—	(363)	—	—	(632)	(995)
Reclassification/others	—	6	7	(3)	—	(3)	7
Balance at December 31	—	8,251	8,835	2,727	—	2,724	22,537
Allowance for impairment losses	—	8	—	—	—	—	8
Net book value at December 31	₱4,804	₱7,525	₱3,117	₱916	₱327	₱3,634	₱20,323

As of December 31, 2024 and 2023, the cost of fully depreciated property and equipment still in use amounted to ₱9.6 billion and ₱8.2 billion, respectively, for the Group, and ₱6.5 billion and ₱5.4 billion, respectively, for the Parent Company.



11. Investments in Subsidiaries, Associates and a Joint Venture

Investments in subsidiaries consist of:

	2024	2023
Acquisition cost		
PSBank	₱13,076	₱13,076
FMIC	11,751	11,751
MBCL	11,680	10,079
Circa	837	837
First Metro Holdings USA, Inc. (formerly MR USA)	365	365
ORIX Metro	265	265
MR Japan	102	102
FMIRBI	75	—
MR UK	31	31
MRHL	26	26
MRSPL	17	17
Others	25	25
	38,250	36,574
Accumulated equity in net income		
Balance at January 1	38,880	34,775
Share in net income	6,422	5,237
Dividends	(2,621)	(1,132)
Balance at December 31	42,681	38,880
Equity in net unrealized gain (loss) on investment securities at FVOCI	(368)	(437)
Equity in net unrealized gain on remeasurement of retirement plan and translation adjustment and others	1,843	1,606
Equity in realized loss on sale of equity securities at FVOCI	(351)	(255)
Allowance for impairment loss (Note 15)	(648)	(474)
Carrying value		
PSBank	38,826	35,333
FMIC	19,900	20,658
MBCL	16,970	14,735
ORIX Metro	4,463	4,021
Circa	294	276
First Metro Holdings USA, Inc. (formerly MR USA)	225	199
MRSPL	199	192
MRHL	88	107
FMIRBI	72	—
MR Japan	49	65
MR UK	37	39
Others	284	269
	₱81,407	₱75,894



As of December 31, 2024 and 2023, allowance for impairment loss amounting to ₱647.7 million and ₱474.3 million, respectively, pertains to investment in FMIC.

The following subsidiaries have material non-controlling interests as of December 31, 2024 and 2023:

	Country of Incorporation and Principal Place of Business	Principal Activities	Effective Ownership of Non-Controlling Interest	
			2024	2023
ORIX Metro	Philippines	Leasing, Financing	40.14%	40.14%
PSBank	Philippines	Banking	11.62%	11.62%

The following table presents financial information of subsidiaries with material non-controlling interests as of December 31, 2024 and 2023:

	2024		2023	
	PSBank	ORIX Metro	PSBank	ORIX Metro
Statement of Financial Position				
Total assets	₱216,357	₱18,209	₱238,433	₱18,321
Total liabilities	172,251	7,049	198,279	8,273
Non-controlling interest	6,308	4,500	5,849	4,053
Statement of Income				
Gross income	19,962	4,567	21,029	4,699
Operating income	15,318	4,267	15,145	4,261
Net income	5,208	1,203	₱4,531	₱463
Net income attributable to non-controlling interest	605	483	526	188
Total comprehensive income	5,232	1,105	4,295	399
Statement of Cash Flows				
Net cash provided by (used in) operating activities	(46,222)	2,354	(38,312)	4,696
Net cash generated by (used in) investing activities	33,324	(1,056)	20,765	(751)
Net cash used in financing activities	(2,075)	(1,828)	(7,378)	(4,418)
Net decrease in cash and cash equivalents	(14,973)	(530)	(24,925)	(473)
Cash and cash equivalents at beginning of year	20,154	1,143	45,079	1,616
Cash and cash equivalents at end of year	5,181	613	20,154	1,143

Investment in CIRCA

On May 4, 2022, the stockholders of CIRCA 2000 Homes, Inc. approved the shortening of its corporate term to end on December 31, 2024 through an amendment of its Articles of Incorporation (AOI). The amended AOI was approved by the SEC on June 10, 2022.

Investment in Orix Metro

On April 20, 2022, the BOD of Orix Metro approved the voluntary surrender of its quasi banking license. This was approved by the BSP on June 23, 2022.

Investment in FMIC

On September 15, 2023, the SEC approved the following amendments on the Articles of Incorporation of FMIC:

1. Deletion of the primary purpose pertaining to the quasi- banking and trust activities of FMIC in view of BSP's approval to surrender its quasi-bank and trust license on March 25, 2021;
2. Decrease in the number of authorized common shares of FMIC from 800,000,000 to 16,000,000 shares and increase in the par value from ₱10.00 to ₱500.00 per share.



In 2024, FMIC disposed of its entire equity interest in the following subsidiaries as part of its strategic decision to streamline operations and focus on core businesses for a total consideration of ₱2.4 billion.

Subsidiary Name	Principal Activities	Percentage of Ownership	Date of Disposal
FAMI	Asset Management	70.0%	December 18, 2024
FMPEETFI	Exchange Traded Fund	25.7%	August 22, 2024
FMSLMMF	Mutual Fund	16.9%	August 22, 2024
FMSALEF	Mutual Fund	10.3%	August 22, 2024
FMSALBF	Mutual Fund	15.6%	August 22, 2024
FMSLDBF	Mutual Fund	26.1%	August 22, 2024
FMSLFIF	Mutual Fund	6.0%	August 22, 2024

Following the disposal, FMIC no longer has control or significant influence over the subsidiaries. As such, the financial position of the subsidiaries have been deconsolidated from the date of disposal, and the results of operations of these subsidiaries for the period up to the date of disposal have been included in the consolidated statement of profit or loss and other comprehensive income. Total net loss recognized from the disposal (included in 'Profit from assets sold') amounted to ₱77.1 million.

Goodwill

As of December 31, 2024 and 2023, the carrying amount of goodwill of the Group amounted to ₱4.5 billion and ₱4.7 billion, respectively, of which ₱4.4 billion pertains to the goodwill arising from the acquisition of the then Solidbank Corporation, which was merged with FMIC.

Investment in FMIRBI

On August 29, 2023, the BOD of the Parent Company approved the establishment of FMIRBI as an independent and wholly owned subsidiary subject to the approval of the BSP, Insurance Commission and Securities and Exchange Commission (SEC). This was approved by the BSP on December 11, 2023 subject to certain conditions. On April 11, 2024, the SEC approved the incorporation of FMIRBI. As of December 31, 2024, FMIRBI is in the process of obtaining approval from the Insurance Commission.

Investment in MBCL

Upon completion of the regulatory requirements, on May 20, 2024, the Parent Company infused an additional investment of RMB200.0 million to MBCL as approved by the Bangko Sentral ng Pilipinas (BSP) on December 11, 2023.

Investment in First Metro Holdings USA, Inc. (formerly Metro Remittance (USA), Inc.)

On July 24, 2024, the stockholders of Metro Remittance (USA), Inc. approved the change in business name of the Company from Metro Remittance (USA), Inc. to First Metro Holdings USA, Inc. through an amendment of its Articles of Incorporation (AOI). The amended AOI was approved by the California's Secretary of State on August 30, 2024.



Investment in associates and a joint venture consist of:

	Principal Activities	Consolidated		Parent Company	
		2024	2023	2024	2023
Acquisition cost:					
Lepanto Consolidated Mining Company (LCMC)					
(13.36% effectively owned)	Mining	₱2,527	₱2,527	₱—	₱—
SMFC (26.52% effectively owned)*	Financing	610	610	—	—
	Real estate				
Northpine Land, Inc. (NLI) (20.00% owned)	developer	232	232	232	232
Taal Land Inc. (TLI) (35.00% owned)	Real estate	178	178	178	178
Cathay International Resources Corporation (CIRC)					
(34.49% effectively owned)	Investment house	175	175	—	—
AXA Philippines Life and General Insurance Corporation					
(AXA Philippines) [formerly Philippine AXA Life					
Insurance Corporation (PALIC)]					
(27.97% effectively owned)	Insurance	172	172	—	—
SMBC Metro Investment Corporation (SMBC Metro)					
(30.00% owned)	Investment house	180	180	180	180
Others		42	42	—	—
		4,116	4,116	590	590
Accumulated equity in net income:					
Balance at January 1		3,531	2,970	295	251
Share in net income		765	875	(8)	44
Dividends		(464)	(314)	—	—
Balance at December 31		3,832	3,531	287	295
Equity in other comprehensive income		71	116	1	1
Return of investment - SMBC Metro		(180)	(180)	(180)	(180)
Allowance for impairment losses (Note 15)		(1,480)	(1,342)	(101)	(101)
Carrying value					
AXA Philippines		4,464	4,222	—	—
SMFC		892	870	—	—
NLI		555	563	555	563
LCMC		356	494	—	—
SMBC Metro		24	24	24	24
TLI		18	18	18	18
Others		50	50	—	—
		₱6,359	₱6,241	₱597	₱605

* Represents investment in a JV of the Group and effective ownership interest of the Parent Company through PSBank.

The principal place of business of these associates is in the Philippines.

Investment of FMIC in LCMC

FMIC has the ability to exercise significant influence through a 5-year agreement with Philex Mining Corporation to jointly vote their 16.7% ownership. As of December 31, 2024 and 2023, LCMC-A shares are trading at ₱0.067 per share and ₱0.08 per share, respectively, and LCMC-B shares are trading at ₱0.067 per share and ₱0.078 per share, respectively. As of December 31, 2024 and 2023, there has been a significant decline in the fair value of the shares compared to the acquisition cost. In 2024 and 2023, the Group recognized impairment loss on the investment in LCMC amounting to ₱138.1 million and ₱458.3 million, respectively (Note 3).

The following tables present financial information of significant associates and a JV:

	Statements of Financial Position		Statements of Income and Other Comprehensive Income				Total Comprehensive Income (Loss)
	Total Assets	Total Liabilities	Gross Income	Operating Income (Loss)	Net Income (Loss)	OCI	
December 31, 2024							
AXA Philippines	₱185,999	₱170,103	₱19,351	₱3,290	₱2,487	(₱78)	₱2,409
LCMC	8,404	4,094	2,777	157	173	—	173
NLI	2,946	258	6	(59)	(37)	—	(37)
SMFC	6,332	3,289	1,707	379	259	—	259
CIRC	1,844	1,917	493	(113)	(65)	1	(64)



	Statements of Financial Position		Statements of Income and Other Comprehensive Income				
	Total Assets	Total Liabilities	Gross Income	Operating Income (Loss)	Net Income (Loss)	OCI	Total Comprehensive Income (Loss)
December 31, 2023							
AXA Philippines	₱177,539	₱162,503	₱18,746	₱3,436	₱2,647	₱831	₱3,478
LCMC	8,404	4,094	2,470	13	19	—	19
NLI	2,988	264	56	(54)	221	—	221
SMFC	7,711	4,805	1,803	288	215	(32)	183
CIRC	1,814	1,442	484	(109)	(109)	—	(109)

Major assets of significant associates and a JV include the following:

	2024	2023
AXA Philippines		
Cash and cash equivalents	₱7,757	₱9,342
Loans and receivables - net	1,171	1,668
Investment securities at FVTPL	1,770	1,896
Investment securities at FVOCI	25,113	20,362
Property and equipment	368	461
LCMC		
Inventories	443	468
Investments and advances	971	864
Mine exploration cost	11	10
Property, plant and equipment - net	5,694	5,685
NLI		
Cash and cash equivalents	1,278	1,148
Real estate properties	677	984
Receivables - net	947	821
SMFC		
Cash and cash equivalents	393	722
Receivables - net	5,489	6,430
CIRC		
Cash and cash equivalents	96	91
Receivables - net	173	70
Property, plant and equipment - net	1,087	1,087
Condominium units for sale/inventories	187	181

Dividends declared by investee companies of the Group Company follow:

Subsidiary/Associate	Date of Declaration	Per Share	Total Amount	Record Date	Payment Date
2024					
Subsidiaries					
Cash Dividend					
PSBank	January 18, 2024	₱0.75	₱320	February 2, 2024	February 19, 2024
PSBank	April 25, 2024	0.75	320	May 13, 2024	May 27, 2024
PSBank	July 25, 2024	0.75	320	August 9, 2024	August 27, 2024
PSBank	October 17, 2024	0.75	320	November 4, 2024	November 18, 2024
FMIC	April 1, 2024	201.38	1,500	April 30, 2024	June 28, 2024
FMSBC	April 15, 2024	59.17	100	April 15, 2024	July 12, 2024
OMLF Insurance Agency, Inc	January 5, 2024	28.41	71	January 5, 2024	January 31, 2024
PBC Capital Investment Corporation	April 30, 2024	10.00	30	April 30, 2024	May 31, 2024
Associates					
AXA Philippines	December 12, 2024	150.00	1,500	November 30, 2024	December 17, 2024
SMFC	June 28, 2024	5.45	109	June 13, 2024	July 23, 2024



Subsidiary/Associate	Date of Declaration	Per Share	Total Amount	Record Date	Payment Date
2023					
Subsidiaries					
Cash Dividend					
PSBank	January 26, 2023	₱0.75	₱320	February 10, 2023	February 27, 2023
PSBank	April 27, 2023	0.75	320	May 15, 2023	May 29, 2023
PSBank	July 20, 2023	0.75	320	August 4, 2023	August 22, 2023
PSBank	October 19, 2023	0.75	320	November 8, 2023	November 20, 2023
FMSBC	May 31, 2023	17.75	30	May 31, 2023	August 29, 2023
FAMI	June 22, 2023	67.00	100	June 30, 2023	December 15, 2023
Associates					
AXA Philippines	December 13, 2023	100	1,000	December 29, 2023	January 17, 2024
SMFC	June 23, 2023	9.60	192	July 10, 2023	July 19, 2023

12. Investment Properties

This account consists of foreclosed real estate properties and investments in real estate:

	Consolidated					
	2024			2023		
	Land	Buildings and Improvements	Total	Land	Buildings and Improvements	Total
Cost						
Balance at January 1	₱5,230	₱5,445	₱10,675	₱5,285	₱5,156	₱10,441
Additions	265	579	844	477	995	1,472
Disposals	(351)	(771)	(1,122)	(532)	(706)	(1,238)
Balance at December 31	5,144	5,253	10,397	5,230	5,445	10,675
Accumulated depreciation and amortization						
Balance at January 1	—	1,160	1,160	—	1,104	1,104
Depreciation and amortization	—	171	171	—	161	161
Disposals	—	(116)	(116)	—	(105)	(105)
Balance at December 31	—	1,215	1,215	—	1,160	1,160
Allowance for impairment losses (Note 15)						
Balance at January 1	1,221	187	1,408	1,229	207	1,436
Provision for (reversal of) impairment loss	4	13	17	—	12	12
Disposals	(11)	(37)	(48)	(8)	(32)	(40)
Balance at December 31	1,214	163	1,377	1,221	187	1,408
Net book value at December 31	₱3,930	₱3,875	₱7,805	₱4,009	₱4,098	₱8,107

	Parent Company					
	2024			2023		
	Land	Buildings and Improvements	Total	Land	Buildings and Improvements	Total
Cost						
Balance at January 1	₱3,243	₱1,951	₱5,194	₱3,329	₱1,562	₱4,891
Additions	153	184	337	280	506	786
Disposals	(165)	(190)	(355)	(366)	(117)	(483)
Balance at December 31	3,231	1,945	5,176	3,243	1,951	5,194
Accumulated depreciation and amortization						
Balance at January 1	—	606	606	—	584	584
Depreciation and amortization	—	71	71	—	60	60
Disposals	—	(47)	(47)	—	(38)	(38)
Balance at December 31	—	630	630	—	606	606
Allowance for impairment losses (Note 15)						
Balance at January 1	953	38	991	959	38	997
Disposals	(10)	—	(10)	(6)	—	(6)
Balance at December 31	943	38	981	953	38	991
Net book value at December 31	₱2,288	₱1,277	₱3,565	₱2,290	₱1,307	₱3,597

As of December 31, 2024 and 2023, foreclosed investment properties still subject to redemption period by the borrowers amounted to ₱776.1 million and ₱1.1 billion, respectively, for the Group, and ₱322.7 million and ₱462.2 million, respectively, for the Parent Company.

As of December 31, 2024 and 2023, aggregate market value of investment properties amounted to ₱16.6 billion and ₱16.1 billion, respectively, for the Group, and ₱8.9 billion and ₱8.3 billion, respectively, for the Parent Company, of which ₱10.0 billion and ₱9.1 billion, respectively, for the Group, and ₱8.9 billion and ₱8.1 billion, respectively, for the Parent Company were determined by



independent external appraisers. Information about the fair value measurement of investment properties are also presented in Note 5.

Rental income on investment properties (included in 'Leasing income' in the statements of income) in 2024, 2023 and 2022 amounted to ₱112.1 million, ₱92.8 million and ₱86.4 million, respectively, for the Group (Note 13).

Direct operating expenses on investment properties that did not generate rental income (included under 'Litigation expenses') in 2024, 2023 and 2022 amounted to ₱372.5 million, ₱389.7 million and ₱230.6 million, respectively, for the Group and ₱79.7 million, ₱78.6 million and ₱42.9 million, respectively, for the Parent Company (Note 25).

Net gains from sale of investment properties (included in 'Profit from assets sold' in the statements of income) in 2024, 2023 and 2022 amounted to ₱355.3 million, ₱1.7 billion and ₱442.6 million, respectively, for the Group, and ₱139.8 million, ₱1.6 billion and ₱208.4 million, respectively, for the Parent Company.

13. Leases

Group as a Lessee

As of December 31, 2024 and 2023, 60.14% and 59.51%, respectively, of the Parent Company's branch sites are under lease arrangements. Also, some of its subsidiaries lease the premises occupied by their Head Offices and most of their branches. The lease contracts are for periods ranging from 1 to 30 years and some are renewable at the Group's option under certain terms and conditions. Various lease contracts include escalation clauses, which bear an annual rent increase of 2% to 20% in 2024 and 2023. As of December 31, 2024 and 2023, the Group has no contingent rent payable.

The carrying amounts of lease liabilities (included in 'Other Liabilities' in Note 21) are as follows:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Balance at January 1	₱5,764	₱5,661	₱4,018	₱3,845
Additions	2,135	2,253	1,464	1,579
Expiry/early termination	(12)	(22)	(8)	—
Accretion of interest	350	340	239	223
Payments	(2,194)	(2,121)	(1,384)	(1,302)
Others	(90)	(347)	4	(327)
Balance at December 31	₱5,953	₱5,764	₱4,333	₱4,018

The Group and the Parent Company recognized the following:

	Consolidated			Parent Company		
	2024	2023	2022	2024	2023	2022
Interest expense on lease liabilities	₱350	₱340	₱256	₱239	₱223	₱142
Rent expense from short-term leases and leases of low-value assets*	1,124	930	841	859	698	633

* Included under 'Occupancy and equipment -related cost'



Future minimum rentals payable under non-cancelable leases follows:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Within one year	₱1,892	₱1,454	₱939	₱847
After one year but not more than five years	4,600	3,209	3,633	1,908
More than five years	675	2,060	604	1,967
	₱7,167	₱6,723	₱5,176	₱4,722

As of December 31, 2024 and 2023, the Parent Company has undiscounted potential future rental payments arising from extension options expected not to be exercised and thus, not included in the calculation of lease liability amounting to ₱55.5 million and ₱67.6 million, respectively.

Group as a Lessor

The Group has entered into commercial property leases on its investment property portfolio, consisting of the Group's available office spaces and investment properties and lease agreements over various items of machinery and equipment which are non-cancelable and have remaining non-cancelable lease terms of between one to seven years. In 2024, 2023 and 2022, leasing income on investment properties amounted to ₱2.0 billion, ₱1.9 billion and ₱1.9 billion, respectively, for the Group, and ₱72.1 million, ₱78.3 million and ₱80.3 million, respectively, for the Parent Company.

Future minimum rentals receivable under non-cancelable operating leases follows:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Within one year	₱1,419	₱1,304	₱39	₱55
After one year but not more than five years	1,375	1,058	64	90
More than five years	—	10	—	—
	₱2,794	₱2,372	₱103	₱145

Finance Leases

Lease contract receivables under finance leases, which are accounts of ORIX Metro, are due in monthly installments with terms ranging from one to seven years. These are broken down as follows (Note 9):

	2024	2023
Within one year	₱433	₱382
After one year but not more than five years	1,562	1,591
Greater than five years	1	—
	₱1,996	₱1,973



14. Other Assets

This account consists of:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Software costs - net	₱4,177	₱3,344	₱3,687	₱2,995
Customized system development cost	2,715	2,321	2,715	2,321
Investment in SPVs	1,919	8,857	1,919	8,857
Prepaid expenses	1,591	1,338	1,252	1,004
Creditable withholding tax	1,082	1,228	542	479
Chattel properties acquired in foreclosure - net	943	826	61	72
Documentary and postage stamps on hand	610	482	581	459
Residual value of leased assets	391	470	—	—
Returned checks and other cash items	232	448	215	433
Assets held under joint operations (Note 32)	137	219	137	219
Interoffice float items	4	—	4	—
Miscellaneous (Note 27)	7,504	5,137	6,290	3,764
	21,305	24,670	17,403	20,603
Less allowance for impairment losses	3,356	10,285	3,346	10,274
	₱17,949	₱14,385	₱14,057	₱10,329

Movements in software costs account follow:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Cost				
Balance at January 1	₱11,501	₱10,563	₱9,013	₱8,187
Additions	2,036	954	1,682	835
Disposals/reclassification/others	(93)	(16)	(7)	(9)
Balance at December 31	13,444	11,501	10,688	9,013
Accumulated amortization				
Balance at January 1	8,157	7,023	6,018	5,068
Amortization	1,153	1,134	984	945
Disposals/others	(43)	—	(1)	5
Balance at December 31	9,267	8,157	7,001	6,018
Net book value at December 31	₱4,177	₱3,344	₱3,687	₱2,995

Movements in chattel properties acquired in foreclosure follow:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Cost				
Balance at January 1	₱1,059	₱821	₱92	₱113
Additions	4,013	2,546	56	75
Disposals/others	(3,980)	(2,308)	(62)	(96)
Balance at December 31	1,092	1,059	86	92
Accumulated depreciation and amortization				
Balance at January 1	232	221	19	14
Depreciation and amortization	243	251	20	20
Disposals/others	(327)	(240)	(15)	(15)
Balance at December 31	148	232	24	19
Allowance for impairment losses	1	1	1	1
Net book value at December 31	₱943	₱826	₱61	₱72



Assets held under joint operations are parcels of land and former branch sites of the Parent Company which were contributed to separate joint operations with FLI and Federal Land Orix Corporation (Note 32). These are carried at costs, which are lower than the net realizable values.

Investment in SPVs represents subordinated notes issued by Cameron Granville 3 Asset Management, Inc. and LNC 3 Asset Management, Inc. with face amount of ₱9.4 billion and ₱2.6 billion, respectively. These notes are non-interest bearing and payable over five (5) years starting April 1, 2006, with rollover of two (2) years at the option of the note issuers. The subordinated notes which are fully provided with allowance for impairment losses have gross carrying amount of ₱1.9 billion (after write-off) as of December 31, 2024 and ₱8.9 billion as of December 2023.

Miscellaneous assets include assets held in Trust which represents the fund set aside by the Parent Company and PSBank for the specific purpose of E-money balance liquidation in compliance with BSP Circular 1166. As provided in the circular, the amount held in the trust account shall not fall below the required minimum balance of at least 50.0% of the outstanding e-money balances. As of December 31, 2024, assets held in Trust for the Group and the Parent Company amounted to ₱1.2 billion and ₱1.0 billion, respectively. The remaining percentage of outstanding E-money balance was covered by government securities booked under 'Investment securities at amortized cost' amounting to ₱958.0 million for the Group and the Parent Company.

As of December 31, 2024, 2023 and 2022, the Group recognized (reversed) provision for credit losses on other non-financial other assets amounting to (₱25.2 million), ₱104.0 million, and ₱13.1 million, respectively (Note 15).

15. Allowance for Credit and Impairment Losses

An analysis of changes in the ECL allowances in 2024 and 2023 is as follows:

	Consolidated			
	Due from Other Banks	Interbank Loans Receivable	Investment Securities at FVOCI	Investment Securities at Amortized Cost
2024				
ECL allowance, January 1, 2024	₱51	₱36	₱809	₱375
Asset derecognized or repaid	(51)	(36)	—	—
New asset originated	68	61	—	—
Changes in assumptions	—	—	60	(54)
ECL allowance, December 31, 2024	₱68	₱61	869	₱321
2023				
ECL allowance, January 1, 2023	₱41	₱19	₱741	₱471
Asset derecognized or repaid	(41)	(19)	—	—
New asset originated	51	36	—	—
Changes in assumptions	—	—	68	(96)
ECL allowance, December 31, 2023	₱51	₱36	₱809	₱375



	Consolidated			
	Receivables from Customers			Total
	Stage 1	Stage 2	Stage 3	
2024				
Commercial loans				
ECL allowance, January 1, 2024	₱9,079	₱8,897	₱13,678	₱31,654
Newly originated assets that remained in Stage 1 as at year-end	5,433	—	—	5,433
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	666	6,486	7,152
Assets derecognized or repaid	(5,018)	(7,717)	(4,453)	(17,188)
Amounts written off	—	—	(881)	(881)
Transfers to/(from) Stage 1	43	—	—	43
Transfers to/(from) Stage 2	—	250	—	250
Transfers to/(from) Stage 3	—	—	(293)	(293)
Changes in assumptions	1,950	(568)	(338)	1,044
ECL allowance, December 31, 2024	11,487	1,528	14,199	27,214
Residential mortgage loans				
ECL allowance, January 1, 2024	506	718	516	1,740
Newly originated assets that remained in Stage 1 as at year-end	95	—	—	95
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	3	14	17
Assets derecognized or repaid	(106)	(94)	(102)	(302)
Transfers to/(from) Stage 1	354	—	—	354
Transfers to/(from) Stage 2	—	(301)	—	(301)
Transfers to/(from) Stage 3	—	—	(53)	(53)
Changes in assumptions	(477)	(34)	108	(403)
ECL allowance, December 31, 2024	372	292	483	1,147
Auto loans				
ECL allowance, January 1, 2024	2,190	724	1,567	4,481
Newly originated assets that remained in Stage 1 as at year-end	619	—	—	619
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	135	223	358
Assets derecognized or repaid	(279)	(159)	(221)	(659)
Amounts written off	—	—	(1,102)	(1,102)
Transfers to/(from) Stage 1	(73)	—	—	(73)
Transfers to/(from) Stage 2	—	(109)	—	(109)
Transfers to/(from) Stage 3	—	—	182	182
Changes in assumptions	(1,398)	183	418	(797)
ECL allowance, December 31, 2024	1,059	774	1,067	2,900
Credit card				
ECL allowance, January 1, 2024	1,902	2,788	3,481	8,171
Newly originated assets that remained in Stage 1 as at year-end	125	—	—	125
Assets derecognized or repaid	(16)	(89)	(116)	(221)
Amounts written off	—	—	(7,233)	(7,233)
Transfers to/(from) Stage 1	322	—	—	322
Transfers to/(from) Stage 2	—	(1,052)	—	(1,052)
Transfers to/(from) Stage 3	—	—	730	730
Changes in assumptions	(129)	1,939	7,498	9,308
ECL allowance, December 31, 2024	2,204	3,586	4,360	10,150
Trade loans				
ECL allowance, January 1, 2024	281	20	284	585
Newly originated assets that remained in Stage 1 as at year-end	282	—	—	282
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	—	123	123
Assets derecognized or repaid	(281)	(17)	(6)	(304)
Changes in assumptions	—	(1)	1	—
ECL allowance, December 31, 2024	282	2	402	686
Other loans				
ECL allowance, January 1, 2024	95	224	261	580
Newly originated assets that remained in Stage 1 as at year-end	54	—	—	54
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	19	15	34
Assets derecognized or repaid	57	(4)	(20)	33
Amounts written off	—	—	(193)	(193)
Transfers to/(from) Stage 1	(25)	—	—	(25)

(Forward)



	Consolidated			
	Receivables from Customers			Total
	Stage 1	Stage 2	Stage 3	
Transfers to/(from) Stage 2	₱–	(₱24)	₱–	(₱24)
Transfers to/(from) Stage 3	–	–	49	49
Changes in assumptions	(117)	(132)	119	(130)
ECL allowance, December 31, 2024	64	83	231	378
Total receivables from customers				
ECL allowance, January 1, 2024	14,053	13,371	19,787	47,211
Newly originated assets that remained in Stage 1 as at year-end	6,608	–	–	6,608
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	823	6,861	7,684
Assets derecognized or repaid	(5,643)	(8,080)	(4,918)	(18,641)
Amounts written off	–	(146)	(9,263)	(9,409)
Transfers to/(from) Stage 1	621	–	–	621
Transfers to/(from) Stage 2	–	(1,090)	–	(1,090)
Transfers to/(from) Stage 3	–	–	469	469
Changes in assumptions	(171)	1,387	7,806	9,022
ECL allowance, December 31, 2024	₱15,468	₱6,265	₱20,742	₱42,475
2023				
Commercial loans				
ECL allowance, January 1, 2023	₱7,739	₱8,668	₱14,918	₱31,325
Newly originated assets that remained in Stage 1 as at year-end	4,717	–	–	4,717
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	765	948	1,713
Assets derecognized or repaid	(4,132)	(1,201)	(2,359)	(7,692)
Amounts written off	–	–	(1,265)	(1,265)
Transfers to/(from) Stage 1	188	–	–	188
Transfers to/(from) Stage 2	–	(503)	–	(503)
Transfers to/(from) Stage 3	–	–	315	315
Changes in assumptions	567	1,168	1,121	2,856
ECL allowance, December 31, 2023	9,079	8,897	13,678	31,654
Residential mortgage loans				
ECL allowance, January 1, 2023	368	743	1,212	2,323
Newly originated assets that remained in Stage 1 as at year-end	106	–	–	106
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	5	4	9
Assets derecognized or repaid	(28)	(91)	(427)	(546)
Transfers to/(from) Stage 1	141	–	–	141
Transfers to/(from) Stage 2	–	56	–	56
Transfers to/(from) Stage 3	–	–	(197)	(197)
Changes in assumptions	(81)	5	(76)	(152)
ECL allowance, December 31, 2023	506	718	516	1,740
Auto loans				
ECL allowance, January 1, 2023	1,782	715	1,316	3,813
Newly originated assets that remained in Stage 1 as at year-end	1,609	–	–	1,609
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	164	188	352
Assets derecognized or repaid	(158)	(245)	(469)	(872)
Amounts written off	–	–	(156)	(156)
Transfers to/(from) Stage 1	(67)	–	–	(67)
Transfers to/(from) Stage 2	–	(7)	–	(7)
Transfers to/(from) Stage 3	–	–	74	74
Changes in assumptions	(976)	97	614	(265)
ECL allowance, December 31, 2023	2,190	724	1,567	4,481
Credit card				
ECL allowance, January 1, 2023	2,778	3,119	2,371	8,268
Newly originated assets that remained in Stage 1 as at year-end	267	–	–	267
Assets derecognized or repaid	(34)	(124)	(85)	(243)
Amounts written off	–	–	(5,286)	(5,286)
Transfers to/(from) Stage 1	97	–	–	97
Transfers to/(from) Stage 2	–	(1,064)	–	(1,064)
Transfers to/(from) Stage 3	–	–	967	967
Changes in assumptions	(1,206)	857	5,514	5,165
ECL allowance, December 31, 2023	1,902	2,788	3,481	8,171

(Forward)



	Consolidated			
	Receivables from Customers			
	Stage 1	Stage 2	Stage 3	Total
Trade loans				
ECL allowance, January 1, 2023	₱440	₱14	₱314	₱768
Newly originated assets that remained in Stage 1 as at year-end	281	—	—	281
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	16	1	17
Assets derecognized or repaid	(440)	(12)	(8)	(460)
Changes in assumptions	—	2	(23)	(21)
ECL allowance, December 31, 2023	281	20	284	585
Other loans				
ECL allowance, January 1, 2023	128	257	264	649
Newly originated assets that remained in Stage 1 as at year-end	60	—	—	60
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	62	14	76
Assets derecognized or repaid	(30)	(37)	(4)	(71)
Amounts written off	—	—	(160)	(160)
Transfers to/(from) Stage 1	26	—	—	26
Transfers to/(from) Stage 2	—	(50)	—	(50)
Transfers to/(from) Stage 3	—	—	24	24
Changes in assumptions	(89)	(8)	123	26
ECL allowance, December 31, 2023	95	224	261	580
Total receivables from customers				
ECL allowance, January 1, 2023	13,235	13,516	20,395	47,146
Newly originated assets that remained in Stage 1 as at year-end	7,040	—	—	7,040
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	1,012	1,155	2,167
Assets derecognized or repaid	(4,822)	(1,710)	(3,352)	(9,884)
Amounts written off	—	—	(6,867)	(6,867)
Transfers to/(from) Stage 1	385	—	—	385
Transfers to/(from) Stage 2	—	(1,568)	—	(1,568)
Transfers to/(from) Stage 3	—	—	1,183	1,183
Changes in assumptions	(1,785)	2,121	7,273	7,609
ECL allowance, December 31, 2023	₱14,053	₱13,371	₱19,787	₱47,211

	Consolidated			
	Other Receivables			
	Stage 1	Stage 2	Stage 3	Total
2024				
ECL allowance, January 1, 2024	₱139	₱27	₱883	₱1,049
Newly originated assets that remained in Stage 1 as at year-end	19	—	—	19
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	6	23	29
Assets derecognized or repaid	(20)	(14)	(347)	(381)
Amounts written off	—	—	(1)	(1)
Transfers to/(from) Stage 1	(1)	—	—	(1)
Transfers to/(from) Stage 3	—	—	1	1
Changes in assumptions	(106)	—	5	(101)
ECL allowance, December 31, 2024	₱31	₱19	₱564	₱614
2023				
ECL allowance, January 1, 2023	₱71	₱21	₱820	₱912
Newly originated assets that remained in Stage 1 as at year-end	34	—	—	34
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	10	163	173
Assets derecognized or repaid	(33)	(6)	(35)	(74)
Transfers to/(from) Stage 2	—	(1)	—	(1)
Transfers to/(from) Stage 3	—	—	12	12
Changes in assumptions	67	3	(77)	(7)
ECL allowance, December 31, 2023	₱139	₱27	₱883	₱1,049



	Consolidated			
	Loan Commitments and Financial Guarantees			
	Stage 1	Stage 2	Stage 3	Total
2024				
ECL allowance, January 1, 2024	₱849	₱226	₱—	₱1,075
Newly originated assets that remained in Stage 1 as at year-end	291	—	—	291
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	—	—	—
Assets derecognized or repaid	(39)	(2)	—	(41)
Amounts written off	(43)	(23)	—	(66)
Transfers to/(from) Stage 1	29	—	—	29
Transfers to/(from) Stage 2	—	(30)	—	(30)
Transfers to/(from) Stage 3	—	—	1	1
Changes in assumptions	(312)	204	3	(105)
ECL allowance, December 31, 2024	₱775	₱375	₱4	₱1,154
2023				
ECL allowance, January 1, 2023	₱934	₱256	₱—	₱1,190
Newly originated assets that remained in Stage 1 as at year-end	178	—	—	178
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	4	—	4
Assets derecognized or repaid	(41)	(22)	—	(63)
Transfers to/(from) Stage 1	60	—	—	60
Transfers to/(from) Stage 2	—	(60)	—	(60)
Changes in assumptions	(282)	48	—	(234)
ECL allowance, December 31, 2023	₱849	₱226	₱—	₱1,075

	Parent Company			
	Due from Other Banks	Interbank Loans Receivable	Investment Securities at FVOCI	Investment Securities at Amortized Cost
2024				
ECL allowance, January 1, 2024	₱36	₱33	₱809	₱361
Asset derecognized and repaid	(36)	(33)	—	—
New asset originated	62	54	—	—
Changes in assumptions	—	—	54	(51)
ECL allowance, December 31, 2024	₱62	₱54	₱863	₱310
2023				
ECL allowance, January 1, 2023	₱23	₱15	₱741	₱452
Asset derecognized and repaid	(23)	(15)	—	—
New asset originated	36	33	—	—
Changes in assumptions	—	—	68	(91)
ECL allowance, December 31, 2023	₱36	₱33	₱809	₱361

	Parent Company				
	Receivables from Customers				
	Stage 1	Stage 2	Stage 3	POCI	Total
2024					
Commercial loans					
ECL allowance, January 1, 2024	₱6,127	₱8,836	₱11,629	₱439	₱27,031
Newly originated assets that remained in Stage 1 as at year-end	4,895	—	—	—	4,895
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	653	5,898	—	6,551
Assets derecognized or repaid	(3,540)	(7,658)	(4,280)	—	(15,478)
Amounts written off	—	—	(378)	(439)	(817)
Transfers to/(from) Stage 1	(50)	—	—	—	(50)
Transfers to/(from) Stage 2	—	223	—	—	223
Transfers to/(from) Stage 3	—	—	(173)	—	(173)
Changes in assumptions	1,921	(569)	(342)	—	1,010
ECL allowance, December 31, 2024	9,353	1,485	12,354	—	23,192
Residential mortgage loans					
ECL allowance, January 1, 2024	312	144	321	—	777
Newly originated assets that remained in Stage 1 as at year-end	53	—	—	—	53
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	—	9	—	9
Assets derecognized or repaid	(98)	(47)	(70)	—	(215)
Transfers to/(from) Stage 1	32	—	—	—	32

(Forward)



	Parent Company				
	Receivables from Customers				
	Stage 1	Stage 2	Stage 3	POCI	Total
Transfers to/(from) Stage 2	₱—	₱1	₱—	₱—	₱1
Transfers to/(from) Stage 3	—	—	(33)	—	(33)
Changes in assumptions	(8)	23	84	—	99
ECL allowance, December 31, 2024	291	121	311	—	723
Auto loans					
ECL allowance, January 1, 2024	172	115	277	—	564
Newly originated assets that remained in Stage 1 as at year-end	71	—	—	—	71
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	3	5	—	8
Assets derecognized or repaid	(110)	(25)	(55)	—	(190)
Amounts written off	—	—	(15)	—	(15)
Transfers to/(from) Stage 1	85	—	—	—	85
Transfers to/(from) Stage 2	—	(81)	—	—	(81)
Transfers to/(from) Stage 3	—	—	(4)	—	(4)
Changes in assumptions	(75)	2	43	—	(30)
ECL allowance, December 31, 2024	143	14	251	—	408
Credit card					
ECL allowance, January 1, 2024	1,902	2,788	3,481	—	8,171
Newly originated assets that remained in Stage 1 as at year-end	125	—	—	—	125
Assets derecognized or repaid	(16)	(89)	(116)	—	(221)
Amounts written off	—	—	(7,233)	—	(7,233)
Transfers to/(from) Stage 1	322	—	—	—	322
Transfers to/(from) Stage 2	—	(1,052)	—	—	(1,052)
Transfers to/(from) Stage 3	—	—	730	—	730
Changes in assumptions	(129)	1,939	7,498	—	9,308
ECL allowance, December 31, 2024	2,204	3,586	4,360	—	10,150
Trade loans					
ECL allowance, January 1, 2024	281	20	284	—	585
Newly originated assets that remained in Stage 1 as at year-end	282	—	—	—	282
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	—	123	—	123
Assets derecognized or repaid	(281)	(17)	(6)	—	(304)
Changes in assumptions	—	(1)	1	—	—
ECL allowance, December 31, 2024	282	2	402	—	686
Other loans					
ECL allowance, January 1, 2024	—	6	72	—	78
Newly originated assets that remained in Stage 1 as at year-end	6	—	—	—	6
Assets derecognized or repaid	—	—	(1)	—	(1)
Accounts written off	—	—	(78)	—	(78)
Changes in assumptions	2	5	85	—	92
ECL allowance, December 31, 2024	8	11	78	—	97
Total receivables from customers					
ECL allowance, January 1, 2024	8,794	11,909	16,064	439	37,206
Newly originated assets that remained in Stage 1 as at year-end	5,432	—	—	—	5,432
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	656	6,035	—	6,691
Assets derecognized or repaid	(4,045)	(7,836)	(4,528)	—	(16,409)
Amounts written off	—	—	(7,704)	(439)	(8,143)
Transfers to/(from) Stage 1	389	—	—	—	389
Transfers to/(from) Stage 2	—	(909)	—	—	(909)
Transfers to/(from) Stage 3	—	—	520	—	520
Changes in assumptions	1,711	1,399	7,369	—	10,479
ECL allowance, December 31, 2024	₱12,281	₱5,219	₱17,756	₱—	₱35,256
2023					
Commercial loans					
ECL allowance, January 1, 2023	₱5,258	₱8,561	₱11,224	₱1,633	₱26,676
Newly originated assets that remained in Stage 1 as at year-end	3,208	—	—	—	3,208
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	740	352	—	1,092
Assets derecognized or repaid	(3,158)	(1,084)	(1,522)	—	(5,764)
Amounts written off	—	—	(145)	(927)	(1,072)
Transfers to/(from) Stage 1	193	—	—	—	193
Transfers to/(from) Stage 2	—	(542)	—	—	(542)

(Forward)



	Parent Company				
	Receivables from Customers				
	Stage 1	Stage 2	Stage 3	POCI	Total
Transfers to/(from) Stage 3	P-	P-	P349	P-	P349
Changes in assumptions	626	1,161	1,371	(267)	2,891
ECL allowance, December 31, 2023	6,127	8,836	11,629	439	27,031
Residential mortgage loans					
ECL allowance, January 1, 2023	121	195	900	-	1,216
Newly originated assets that remained in Stage 1 as at year-end	63	-	-	-	63
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	-	1	-	-	1
Assets derecognized or repaid	(17)	(46)	(385)	-	(448)
Transfers to/(from) Stage 1	154	-	-	-	154
Transfers to/(from) Stage 2	-	25	-	-	25
Transfers to/(from) Stage 3	-	-	(179)	-	(179)
Changes in assumptions	(9)	(31)	(15)	-	(55)
ECL allowance, December 31, 2023	312	144	321	-	777
Auto loans					
ECL allowance, January 1, 2023	75	146	377	-	598
Newly originated assets that remained in Stage 1 as at year-end	95	-	-	-	95
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	-	47	2	-	49
Assets derecognized or repaid	(25)	(62)	(120)	-	(207)
Amounts written off	-	-	(10)	-	(10)
Transfers to/(from) Stage 1	40	-	-	-	40
Transfers to/(from) Stage 2	-	(35)	-	-	(35)
Transfers to/(from) Stage 3	-	-	(5)	-	(5)
Changes in assumptions	13	19	33	-	39
ECL allowance, December 31, 2023	172	115	277	-	564
Credit card					
ECL allowance, January 1, 2023	2,779	3,119	2,370	-	8,268
Newly originated assets that remained in Stage 1 as at year-end	267	-	-	-	267
Assets derecognized or repaid	(34)	(124)	(85)	-	(243)
Amounts written off	-	-	(5,286)	-	(5,286)
Transfers to/(from) Stage 1	96	-	-	-	96
Transfers to/(from) Stage 2	-	(1,064)	-	-	(1,064)
Transfers to/(from) Stage 3	-	-	968	-	968
Changes in assumptions	(1,206)	857	5,514	-	5,165
ECL allowance, December 31, 2023	1,902	2,788	3,481	-	8,171
Trade loans					
ECL allowance, January 1, 2023	440	14	314	-	768
Newly originated assets that remained in Stage 1 as at year-end	281	-	-	-	281
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	-	16	1	-	17
Assets derecognized or repaid	(440)	(12)	(8)	-	(460)
Changes in assumptions	-	2	(23)	-	(21)
ECL allowance, December 31, 2023	281	20	284	-	585
Other loans					
ECL allowance, January 1, 2023	9	-	43	-	52
Newly originated assets that remained in Stage 1 as at year-end	4	-	-	-	4
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	-	-	1	-	1
Assets derecognized or repaid	-	-	(2)	-	(2)
Accounts written off	-	-	(47)	-	(47)
Changes in assumptions	(13)	6	77	-	70
ECL allowance, December 31, 2023	-	6	72	-	78
Total receivables from customers					
ECL allowance, January 1, 2023	8,682	12,035	15,228	1,633	37,578
Newly originated assets that remained in Stage 1 as at year-end	3,918	-	-	-	3,918
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	-	804	356	-	1,160
Assets derecognized or repaid	(3,674)	(1,328)	(2,122)	-	(7,124)
Amounts written off	-	-	(5,488)	(927)	(6,415)
Transfers to/(from) Stage 1	483	-	-	-	483
Transfers to/(from) Stage 2	-	(1,616)	-	-	(1,616)
Transfers to/(from) Stage 3	-	-	1,133	-	1,133
Changes in assumptions	(615)	2,014	6,957	(267)	8,089
ECL allowance, December 31, 2023	P8,794	P11,909	P16,064	P439	P37,206



	Parent Company			
	Other Receivables			
	Stage 1	Stage 2	Stage 3	Total
2024				
ECL allowance, January 1, 2024	₱117	₱12	₱845	₱974
Newly originated assets that remained in Stage 1 as at year-end	13	—	—	13
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	4	16	20
Assets derecognized or repaid	(18)	(10)	(315)	(343)
Amounts written off	—	—	(1)	(1)
Transfers to/(from) Stage 2	—	1	—	1
Transfers to/(from) Stage 3	—	—	(1)	(1)
Changes in assumptions	(92)	(1)	(7)	(100)
ECL allowance, December 31, 2024	₱20	₱6	₱537	₱563
2023				
ECL allowance, January 1, 2023	₱49	₱3	₱794	₱846
Newly originated assets that remained in Stage 1 as at year-end	20	—	—	20
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	—	8	153	161
Assets derecognized or repaid	(31)	(2)	(20)	(53)
Amounts written off	—	—	(1)	(1)
Transfers to/(from) Stage 3	—	—	9	9
Changes in assumptions	79	3	(90)	(8)
ECL allowance, December 31, 2023	₱117	₱12	₱845	₱974

	Parent Company			
	Loan Commitments and Financial Guarantees			
	Stage 1	Stage 2	Stage 3	Total
2024				
ECL allowance, January 1, 2024	₱769	₱226	₱—	₱995
Newly originated assets that remained in Stage 1 as at year-end	298	—	—	298
Newly originated assets that moved to Stage 2 as at year-end	—	—	—	—
Assets derecognized or repaid	(39)	(2)	—	(41)
Amounts written off	(43)	(23)	—	(66)
Transfers to/(from) Stage 1	29	—	—	29
Transfers to/(from) Stage 2	—	(30)	—	(30)
Transfers to/(from) Stage 3	—	—	1	1
Changes in assumptions	(314)	204	3	(107)
ECL allowance, December 31, 2024	₱700	₱375	₱4	₱1,079
2023				
ECL allowance, January 1, 2023	₱841	₱256	₱—	₱1,097
Newly originated assets that remained in Stage 1 as at year-end	187	—	—	187
Newly originated assets that moved to Stage 2 as at year-end	—	4	—	4
Assets derecognized or repaid	(41)	(22)	—	(63)
Transfers to/(from) Stage 1	60	—	—	60
Transfers to/(from) Stage 2	—	(60)	—	(60)
Changes in assumptions	(278)	48	—	(230)
ECL allowance, December 31, 2023	₱769	₱226	₱—	₱995

As of December 31, 2024 and 2023, the ECL allowances on loan commitments and financial guarantees are included in ‘Miscellaneous liabilities’ under ‘Other liabilities’ (Note 21).

The ECL allowance on accounts receivables of the Group and the Parent Company based on their aging as of December 31, 2024 and 2023 follows:

Age of accounts receivables	Consolidated		Parent Company	
	2024	2023	2024	2023
Up to 1 month	₱94	₱69	₱69	₱63
> 1 to 2 months	6	3	5	1
> 2 to 3 months	3	1	2	—
More than 3 months	3,262	3,261	2,735	2,718
Total ECL	₱3,365	₱3,334	₱2,811	₱2,782



Below is the breakdown of provision for (reversal of) credit and impairment losses:

	Consolidated			Parent Company		
	2024	2023	2022	2024	2023	2022
Financial assets and other credit-related exposures:						
Loans and receivables	₱6,055	₱7,996	₱7,777	₱6,202	₱6,187	₱5,740
Investment securities	3	(62)	29	—	—	—
Interbank loans receivable	4	(1)	(10)	—	—	—
Due from other banks	(9)	(4)	(13)	—	—	—
	6,053	7,929	7,783	6,202	6,187	5,740
Non-financial assets:						
Investment properties	17	12	104	—	—	—
Goodwill	177	474	—	4	—	—
Investments in subsidiaries, associates and a joint venture	138	459	212	173	474	—
Other assets	(25)	104	13	—	—	—
	307	1,049	329	177	474	—
	₱6,360	₱8,978	₱8,112	₱6,379	₱6,661	₱5,740

With the foregoing level of allowance for credit and impairment losses, management believes that the Group has sufficient allowance to take care of any losses that the Group may incur from the non-collection or non-realization of its receivables and other risk assets.

16. Deposit Liabilities

As of December 31, 2023, the LTNCDs of the Group and the Parent Company (which matured in 2024) consist of the following:

BSP Approval Date	Interest Rate	Issue Date	Maturity Date	Amount
Parent Company				
August 12, 2016	3.88%	July 20, 2017	July 20, 2024	₱3,750
July 19, 2018	5.38%	October 4, 2018	April 4, 2024	8,680
				12,430
PSBank				
July 13, 2018	5.00%	August 9, 2018	February 9, 2024	5,084
				₱17,514

As of December 31, 2024 and 2023, 17.54% and 17.27%, respectively, of the total interest-bearing deposit liabilities of the Group, and 15.36% and 14.04%, respectively, of the total interest-bearing deposit liabilities of the Parent Company are subject to periodic interest repricing. In 2024, 2023 and 2022 the outstanding peso deposit liabilities (excluding LTNCDs above) of the Group and the Parent Company earn annual fixed interest rates ranging from 0.06% to 6.59%, while the outstanding foreign currency-denominated deposit liabilities earn annual fixed interest rates ranging from 0.05% to 6.46%, from 0.00% to 8.84% and from 0.00% to 8.84%, respectively for the Group and Parent Company.

Interest expense on deposit liabilities consists of:

	Consolidated			Parent Company		
	2024	2023	2022	2024	2023	2022
CASA	₱982	₱987	₱932	₱767	₱769	₱732
Time	47,779	39,043	9,277	41,250	32,042	5,482
LTNCD	214	1,090	1,211	201	829	915
	₱48,975	₱41,120	₱11,420	₱42,218	₱33,640	₱7,129



Reserve Requirement

In September 2024, BSP Circular No. 1201 was issued reducing the reserve requirements against deposit and deposit substitute liabilities from 9.5% to 7.00% effective reserve week starting October 25, 2024. Reserve requirements for peso-denominated LTNCDs and Other Bonds are still at 4% & 3% respectively. 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. The Parent Company and PSBank were in compliance with the reserve requirements as of December 31, 2024 and 2023.

The total statutory and liquidity reserves (included in 'Due from BSP' account) as reported to the BSP are as follows:

	2024	2023
Parent Company	₱148,945	₱198,061
PSBank	1,183	9,746
	₱150,128	₱207,807

17. Bills Payable and Securities Sold Under Repurchase Agreements

This account consists of borrowings from:

	Consolidated		Parent Company	
	2024	2023	2024	2023
SSURA	₱276,628	₱134,800	₱276,628	₱132,234
Foreign banks	20,969	16,637	7,785	7,282
Local banks	3,050	5,446	2,123	1,554
Deposit substitutes	5	13	5	11
	₱300,652	₱156,896	₱286,541	₱141,081

Interbank borrowings with foreign and local banks are mainly short-term borrowings. Deposit substitutes pertain to borrowings from the public.

The following are the carrying values of government debt securities (Note 8) pledged and transferred under SSURA transactions of the Group and the Parent Company:

	Consolidated				Parent Company			
	2024		2023		2024		2023	
	Transferred Securities	SSURA	Transferred Securities	SSURA	Transferred Securities	SSURA	Transferred Securities	SSURA
Investment securities at FVTPL	₱83,564	₱83,292	₱—	₱—	₱83,564	₱83,292	₱—	₱—
Investment securities at FVOCI								
Government	46,677	43,099	115,803	101,291	46,677	43,099	115,803	101,291
Private	—	—	2,294	2,294	—	—	—	—
Investment securities at amortized cost	168,582	150,237	35,925	31,215	168,582	150,237	35,654	30,943
	₱298,823	₱276,628	₱154,022	₱134,800	₱298,823	₱276,628	₱151,457	₱132,234



The Group's peso borrowings are subject to annual fixed interest rates ranging from 4.75% to 5.91%, from 2.90% to 6.45% and from 2.60% to 6.88% in 2024, 2023 and 2022, respectively, while the Group's foreign currency-denominated borrowings are subject to annual fixed interest rates ranging from 0.00% to 6.63%, from 0.00% to 7.50% and from 0.00% to 6.58% in 2024, 2023 and 2022, respectively. For the Parent Company, the peso borrowings are subject to annual fixed interest rates of 4.75% in 2024, 4.13% to 4.75% in 2023 and 3.75% to 6.88% in 2022, respectively, while the foreign currency-denominated borrowings are subject to annual fixed interest rates ranging from 0.00% to 6.63%, from 0.00% to 7.50% and from 0.00% to 6.58% in 2024, 2023 and 2022, respectively.

Interest expense on bills payable (included in the 'Interest expense on bills payable and SSURA, bonds payable, subordinated debts and others' in the statements of income) in 2024, 2023 and 2022 amounted to ₱9.4 billion, ₱3.9 billion and ₱1.8 billion, respectively, for the Group and ₱9.0 billion, ₱3.4 billion and ₱1.1 billion, respectively, for the Parent Company.

18. Accrued Interest and Other Expenses

This account consists of:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Accrued interest (Note 32)	₱10,521	₱7,302	₱9,476	₱5,904
Accrued other expenses	13,023	12,483	10,511	9,770
	₱23,544	₱19,785	₱19,987	₱15,674

Accrued other expenses include accruals for compensation and fringe benefits, rentals, percentage and other taxes, professional fees, advertising and information technology expenses and other expenses.

19. Bonds Payable

This account consists of the following scripless fixed rate bonds:

Issue Date	Maturity Date	Interest Rate	Face Value	Carrying Value	
				2024	2023
Parent Company					
<u>Fixed Rated Bonds</u>					
October 28, 2022	April 28, 2024	5.00%	₱23,717	₱—	₱23,676
June 4, 2021	September 4, 2026	3.60%	19,000	18,953	18,924
<u>USD Senior Unsecured Notes</u>					
July 15, 2020	January 15, 2026	2.125%	US\$500	28,819	27,489
March 6, 2024	March 6, 2029	5.375%	500	28,646	—
March 6, 2024	March 6, 2034	5.500%	500	28,440	—
				104,858	70,089
<u>Fixed Rated Bonds</u>					
MBCL					
June 25, 2024	June 25, 2027	2.60%	CN¥300	2,378	—
				₱107,236	₱70,089



Specific terms of these bonds follow:

Parent Company

- ₱23.7 billion fixed rate bonds issued on October 28, 2022 with issue price at 100% face value, which bear an interest rate of 5.00% per annum, payable quarterly in arrears on January 28, April 28, July 28 and October 28 of each year, commencing on January 28, 2023. The bonds matured on April 28, 2024. Total bond issuance costs amounted to ₱194.8 million.
- ₱19.0 billion fixed rate bonds issued on June 4, 2021 with issue price at 100% face value, which bear an interest rate of 3.60% per annum, payable quarterly in arrears on March 4, June 4, September 4 and December 4 of each year, commencing on September 4, 2021. The bonds will mature on September 4, 2026. Total bond issuance costs amounted to ₱156.0 million.
- US\$500 million senior unsecured notes issued on July 15, 2020 with issue price at 99.096% face value, which bear an interest rate of 2.125% per annum, payable semi-annually in arrears on January 15 and July 15 of each year, commencing on January 15, 2021. The bonds will mature on January 15, 2026. Total bond issuance costs amounted to ₱484.9 million.
- US\$500 million senior unsecured notes issued on March 6, 2024 with issue price at 99.879% face value, which bear an interest rate of 5.375% per annum, payable semi-annually in arrears on March 6 and September 6 of each year, commencing on September 6, 2024. The bonds will mature on March 6, 2029. Total bond issuance costs amounted to ₱326.7 million.
- US\$500 million senior unsecured notes issued on March 6, 2024 with issue price at 99.25% face value, which bear an interest rate of 5.50% per annum, payable semi-annually in arrears on March 6 and September 6 of each year, commencing on September 6, 2024. The bonds will mature on March 6, 2034. Total bond issuance costs amounted to ₱520.9 million.

PSBank

- ₱4.65 billion fixed rate bonds issued on February 4, 2020 with issue price at 100% face value, which bear an interest rate of 4.50% per annum, payable quarterly in arrears on February 4, May 4, August 4 and November 4 of each year, commencing on May 4, 2020. The bonds matured on February 4, 2023. Total bond issuance costs amounted to ₱42.7 million.

MBCL

- CN¥300 million fixed rate bonds issued on June 25, 2024 with issue price at 100% face value, which bear an interest rate of 2.60% per annum, payable annually commencing on June 27, 2024. The bonds will mature on June 25, 2027.

Interest expense on bonds payable in 2024, 2023 and 2022 amounted to ₱4.8 billion, ₱3.1 billion and ₱3.0 billion, respectively, for the Group, and ₱4.7 billion, ₱3.1 billion and ₱2.8 billion, respectively, for the Parent Company. As of December 31, 2024 and 2023, unamortized bond issue costs amounted to ₱909.2 million and ₱313.1 million, respectively, for the Group and Parent Company.

Reserve Requirement

Peso-denominated bonds are subject to reserves equivalent to 3% in 2024 and 2023. The Parent Company and PSBank were in compliance with such requirements as of December 31, 2024 and 2023.



20. Subordinated Debts

On December 20, 2013, Metrobank Card Corporation issued ₱1.2 billion subordinated notes with an issue price of 100% face value (absorbed by the Parent Company on January 3, 2020 relative to the merger), which bear an interest rate of 6.21% per annum and matured in December 20, 2023. The interest of the notes are payable quarterly in arrears every March 20, June 20, September 20 and December 20 each year, commencing on March 20, 2014. The Parent Company is in compliance with the terms and conditions upon which these subordinated notes have been issued.

In 2023 and 2022, interest expense on subordinated debt included in 'Interest expense on bills payable and SSURA, bonds payable, subordinated debt and others' amounted to ₱71.2 million and ₱73.7 million, respectively (including amortization of debt issue cost of ₱1.0 million and ₱1.1 million, respectively).

21. Non-equity Non-controlling Interest and Other Liabilities

Non-equity Non-controlling Interest

This account arises when mutual funds are consolidated and where the Group holds less than 100.00% of the investment in these funds. When this occurs, the Group acquires a liability in respect of non-controlling interests in the funds of which the Group has control. Such non-controlling interests are distinguished from equity non-controlling interests in that the Group does not hold an equity stake in such funds. In 2024, FMIC disposed of its entire interest in these mutual funds (Note 11).

Income (loss) attributable to non-equity non-controlling interests amounting to (₱403.0 million) in 2024, (₱124.0 million) in 2023, and ₱462.7 million in 2022, is included under 'Trading and securities gain (loss) - net' in the statements of income (Note 8).

Other Liabilities

This account consists of:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Accounts payable	₱40,034	₱27,490	₱20,665	₱14,167
Marginal deposits	18,801	10,756	17	551
Bills purchased - contra (Note 9)	13,889	9,486	13,889	9,444
Lease liability (Note 13)	5,953	5,764	4,333	4,018
Retirement liability (Note 27)	3,246	2,910	3,144	2,553
Other credits	1,924	1,717	1,703	1,547
Deferred revenues (Note 25)	1,769	1,511	1,769	1,511
Withholding taxes payable	1,451	1,044	1,348	894
Outstanding acceptances	1,178	1,498	1,178	1,498
Deposits on lease contracts	665	783	—	—
Miscellaneous (Notes 11 and 15)	5,240	7,889	4,257	6,556
	₱94,150	₱70,848	₱52,303	₱42,739

Deferred revenues include deferral and recognition of loyalty points program transactions and membership fees and dues for credit card business. Miscellaneous liabilities include provision on committed lines (Note 15), due to the Treasurer of the Philippines and interoffice float items.



22. Maturity Profile of Assets and Liabilities

The following tables present the assets and liabilities by contractual maturity and settlement dates:

	Consolidated					
	2024			2023		
	Due Within One Year	Due Beyond One Year	Total	Due Within One Year	Due Beyond One Year	Total
Financial Assets - at gross						
Cash and other cash items	P33,726	P—	P33,726	P39,431	P—	P39,431
Due from BSP	150,128	—	150,128	207,807	—	207,807
Due from other banks	82,136	—	82,136	90,586	—	90,586
Interbank loans receivable and SPURA	81,348	—	81,348	73,015	—	73,015
Investment securities at FVTPL	217,463	8,839	226,302	58,247	16,609	74,856
Investment securities at FVOCI	153,937	419,064	573,001	223,336	313,287	536,623
Investment securities at amortized cost	8,545	466,800	475,345	6,745	464,268	471,013
Loans and receivables (Note 9)						
Receivables from customers	834,909	997,932	1,832,841	725,367	841,679	1,567,046
Unquoted debt securities	403	—	403	829	105	934
Accrued interest receivable	24,805	—	24,805	20,895	—	20,895
Accounts receivable	21,630	488	22,118	15,064	30	15,094
Sales contract receivable	18	5	23	22	10	32
Other receivables	8	4	12	391	5	396
Other assets (Note 14)						
Investments in SPVs	1,919	—	1,919	8,857	—	8,857
Returned checks and other cash items	232	—	232	448	—	448
Inter office float items	4	—	4	—	—	—
Miscellaneous	1,151	26	1,177	4	26	30
	<u>1,612,362</u>	<u>1,893,158</u>	<u>3,505,520</u>	<u>1,471,044</u>	<u>1,636,019</u>	<u>3,107,063</u>
Non-Financial Assets - at gross						
Property and equipment (Note 10)	—	63,322	63,322	—	61,060	61,060
Investments in associates and a JV (Note 11)	—	7,839	7,839	—	7,583	7,583
Investment properties (Note 12)	—	10,397	10,397	—	10,675	10,675
Deferred tax assets (Note 28)	—	18,037	18,037	—	14,171	14,171
Goodwill (Note 11)	—	6,403	6,403	—	6,403	6,403
Assets held under joint operations (Note 14)	—	137	137	—	219	219
Residual value of leased asset (Note 14)	168	223	391	233	237	470
Other assets (Note 14)	3,283	23,578	26,861	3,048	19,988	23,036
	<u>3,451</u>	<u>129,936</u>	<u>133,387</u>	<u>3,281</u>	<u>120,336</u>	<u>123,617</u>
	<u>P1,615,813</u>	<u>P2,023,094</u>	<u>3,638,907</u>	<u>P1,474,325</u>	<u>P1,756,355</u>	<u>3,230,680</u>
Less:						
Unearned discounts and capitalized interest (Note 9)			17,738			15,637
Accumulated depreciation and amortization (Notes 10, 12 and 14)			45,828			43,358
Allowance for credit and impairment losses (Notes 10, 11, 12, 14, and 15)			54,986			66,783
			<u>P3,520,355</u>			<u>P3,104,902</u>
Financial Liabilities						
Deposit liabilities						
Demand	P608,370	P—	P608,370	P586,345	P—	P586,345
Savings	879,568	—	879,568	853,028	—	853,028
Time	1,065,219	20,721	1,085,940	907,578	18,307	925,885
LTNCD (Note 16)	—	—	—	17,514	—	17,514
	<u>2,553,157</u>	<u>20,721</u>	<u>2,573,878</u>	<u>2,364,465</u>	<u>18,307</u>	<u>2,382,772</u>
Bills payable and SSURA (Note 17)	300,652	—	300,652	156,891	5	156,896
Derivative liabilities (Note 8)	8,566	4,804	13,370	12,427	4,438	16,865
Manager's checks and demand drafts outstanding	6,901	—	6,901	7,048	—	7,048
Accrued interest and other expenses	20,782	—	20,782	18,059	—	18,059
Subordinated debts (Note 20)	—	—	—	—	—	—
Bonds payable (Note 19)	—	107,236	107,236	23,676	46,413	70,089
Non-equity non-controlling interest (Note 21)	—	—	—	10,260	—	10,260
Other liabilities (Note 21)						
Accounts payable	40,032	2	40,034	27,490	—	27,490
Marginal deposits	18,801	—	18,801	10,756	—	10,756
Bills purchased - contra	13,889	—	13,889	9,486	—	9,486
Lease liability	1,468	4,485	5,953	1,463	4,301	5,764
Outstanding acceptances	1,178	—	1,178	1,498	—	1,498
Deposits on lease contracts	301	364	665	412	371	783
Dividends payable	88	—	88	89	—	89
	<u>2,965,814</u>	<u>137,612</u>	<u>3,103,427</u>	<u>2,644,020</u>	<u>73,835</u>	<u>2,717,855</u>
Non-Financial Liabilities						
Retirement liability (Notes 21 and 27)	—	3,246	3,246	—	2,698	2,698
Income taxes payable	4,219	—	4,219	3,601	—	3,601
Accrued interest and other expenses	2,762	—	2,762	1,726	—	1,726
Withholding taxes payable (Note 21)	1,451	—	1,451	1,044	—	1,044
Deferred tax and other liabilities (Notes 21 and 28)	6,921	1,924	8,845	9,221	2,019	11,240
	<u>15,353</u>	<u>5,170</u>	<u>20,523</u>	<u>15,592</u>	<u>4,717</u>	<u>20,309</u>
	<u>P2,981,168</u>	<u>P142,782</u>	<u>P3,123,950</u>	<u>P2,659,612</u>	<u>P78,552</u>	<u>P2,738,164</u>



	Parent Company					
	2024			2023		
	Due Within One Year	Due Beyond One Year	Total	Due Within One Year	Due Beyond One Year	Total
Financial Assets - at gross						
Cash and other cash items	₱31,929	₱–	₱31,929	₱37,692	₱–	₱ 37,692
Due from BSP	148,945	–	148,945	198,061	–	198,061
Due from other banks	62,414	–	62,414	65,868	–	65,868
Interbank loans receivable and SPURA	53,961	–	53,961	59,219	–	59,219
Investment securities at FVTPL	217,161	8,762	225,923	57,820	8,681	66,501
Investment securities at FVOCI	123,651	388,464	512,115	136,641	306,033	442,674
Investment securities at amortized cost	5,161	439,904	445,065	3,861	434,937	438,798
Loans and receivables						
Receivables from customers	762,020	838,965	1,600,985	656,593	707,681	1,364,274
Unquoted debt securities	403	–	403	386	105	491
Accrued interest receivable	21,703	–	21,703	17,396	–	17,396
Accounts receivable	8,735	–	8,735	7,655	–	7,655
Sales contract receivable	13	5	18	15	10	25
Other receivables	2	–	2	2	–	2
Other assets						
Investments in SPVs	1,919	–	1,919	8,857	–	8,857
Inter office float items	4	–	4	–	–	–
Returned checks and other cash items	215	–	215	433	–	433
	<u>1,438,236</u>	<u>1,676,100</u>	<u>3,114,336</u>	<u>1,250,503</u>	<u>1,457,447</u>	<u>2,707,950</u>
Non-Financial Assets - at gross						
Property and equipment	–	44,529	44,529	–	42,868	42,868
Investments in subsidiaries	–	82,055	82,055	–	76,368	76,368
Investments in associates	–	698	698	–	706	706
Investment properties	–	5,176	5,176	–	5,194	5,194
Deferred tax assets	–	16,072	16,072	–	11,900	11,900
Assets held under joint operations	–	137	137	–	219	219
Other assets	3,370	19,996	23,366	1,942	16,394	18,336
	<u>3,370</u>	<u>168,663</u>	<u>172,033</u>	<u>1,942</u>	<u>153,649</u>	<u>155,591</u>
	<u>₱1,441,606</u>	<u>₱1,844,763</u>	<u>3,286,369</u>	<u>₱1,252,445</u>	<u>₱1,611,096</u>	<u>2,863,541</u>
Less:						
Unearned discounts and capitalized interest			15,597			13,545
Accumulated depreciation and amortization			31,280			29,180
Allowance for credit and impairment losses			45,354			54,450
			<u>₱3,194,138</u>			<u>₱2,766,366</u>
Financial Liabilities						
Deposit liabilities						
Demand	₱559,133	₱–	₱559,133	₱536,772	₱–	₱536,772
Savings	832,157	–	832,157	807,153	–	807,153
Time	929,654	520	930,174	756,662	542	757,204
LTNCD (Note 16)	–	–	–	12,430	–	12,430
	<u>2,320,944</u>	<u>520</u>	<u>2,321,464</u>	<u>2,113,017</u>	<u>542</u>	<u>2,113,559</u>
Bills payable and SSURA (Note 17)	286,541	–	286,541	141,076	5	141,081
Derivative liabilities (Note 8)	8,565	4,804	13,369	12,424	4,438	16,862
Manager's and demand drafts outstanding	5,286	–	5,286	5,533	–	5,533
Accrued interest and other expenses	17,225	–	17,225	13,948	–	13,948
Subordinated debts (Note 20)	–	–	–	–	–	–
Bonds payable (Note 19)	–	104,858	104,858	23,676	46,413	70,089
Other liabilities (Note 21)						
Accounts payable	20,665	–	20,665	14,167	–	14,167
Bills purchased - contra	13,889	–	13,889	9,444	–	9,444
Lease liability	767	3,566	4,333	734	3,284	4,018
Outstanding acceptances	1,178	–	1,178	1,498	–	1,498
Marginal deposits	17	–	17	551	–	551
	<u>2,675,077</u>	<u>113,748</u>	<u>2,788,825</u>	<u>2,336,068</u>	<u>54,682</u>	<u>2,390,750</u>
Non-Financial Liabilities						
Retirement benefit liability	–	3,144	3,144	–	2,553	2,553
Income taxes payable	4,143	–	4,143	3,479	–	3,479
Accrued interest and other expenses	2,762	–	2,762	1,726	–	1,726
Withholding taxes payable (Note 21)	1,348	–	1,348	894	–	894
Other liabilities (Note 21)	6,026	1,703	7,729	7,983	1,631	9,614
	<u>14,279</u>	<u>4,847</u>	<u>19,126</u>	<u>14,082</u>	<u>4,184</u>	<u>18,266</u>
	<u>₱2,689,356</u>	<u>₱118,595</u>	<u>₱2,807,951</u>	<u>₱2,350,150</u>	<u>₱58,866</u>	<u>₱2,409,016</u>



23. Capital Stock

As of December 31, 2024 and 2023, this account consists of (amounts in millions, except par value and number of shares):

	Shares	Amount
Authorized		
Common stock – ₱20.00 par value	6,000,000,000	
Preferred stock – ₱20.00 par value	1,000,000,000	
Common stock issued and outstanding		
Balance at January 1 and December 31	4,497,415,555	₱89,948

As of December 31, 2024 and 2023, treasury shares totaling nil and 1,289,543, respectively, represent shares of the Parent Company held by FMIC's mutual fund subsidiaries which were disposed in 2024 (Note 11).

Preferred shares are non-voting except as provided by law; have preference over Common Shares in the distribution of dividends; subject to such terms and conditions as may be determined by the BOD and to the extent permitted by applicable law, may or may not be redeemable; and shall have such other features as may be determined by the BOD at the time of issuance.

On March 15, 2013, the BOD of the Parent Company approved (a) the amendment of the Articles of Incorporation (AOI) to increase the authorized capital stock and (b) the declaration of 30.00% stock dividend, which were ratified by the stockholders representing at least 2/3 of the outstanding capital stock on April 15, 2013. These were subsequently approved by the BSP on May 15, 2013 and by the SEC on August 13, 2013. Following this, the authorized capital stock of the Parent Company increased from ₱50.0 billion to ₱100.0 billion consisting of 4.0 billion common shares and 1.0 billion preferred shares, both with par value of ₱20.00 per share. The 30.00% stock dividend equivalent to 633,415,049 common shares amounting to ₱12.7 billion represents at least the minimum 25.00% subscribed and paid-up capital for the increase in the authorized capital stock referred to above which was issued/paid on September 16, 2013 with record date on September 3, 2013. On September 10, 2013, the PSE approved the listing of such additional common shares.

On January 21, 2015, the Parent Company's BOD approved the Stock Rights Offer (SRO) by way of issuance from the unissued portion of the authorized capital stock which was noted by BSP with the issuance of a letter of no objection to the Rights Issue on February 17, 2015. On February 24, 2015, the SEC confirmed the exemption of this issuance of ₱32.0 billion worth of common shares from the registration requirements under Section 8 of the SRC. On February 25, 2015, the PSE approved the listing of up to 500.0 million common shares to cover the SRO to all stockholders of record as of March 18, 2015. On April 7, 2015, following regulatory approvals, the Parent Company concluded the ₱32.0 billion SRO, involving 435,371,720 common shares with par value of ₱20.00 priced at ₱73.50 per share and listed with the PSE on the same date. The difference between the issued price and the par value is recognized as 'Capital paid in excess of par value'.

On January 17, 2018, the Parent Company's BOD approved the SRO by way of issuance of up to a maximum of 819,827,214 common shares to raise additional capital of up to ₱60.0 billion. This was noted by the BSP with the issuance of a letter of no objection to the rights issue on January 29, 2018. On April 4, 2018, following the regulatory approvals, the Parent Company concluded the ₱60.0 billion SRO, involving 799,842,250 common shares with par value of ₱20.00 priced at ₱75.00 per share and listed on the PSE on April 12, 2018. Transaction costs on the SRO amounting to ₱878.2 million were charged against 'Capital paid in excess of par value'.



On February 13, 2019, the BOD of the Parent Company approved (a) the amendment of the AOI to increase the authorized capital stock from ₱100.0 billion to ₱140.0 billion and (b) the declaration of a 13% stock dividend equivalent to 517,401,955 shares amounting to ₱10.3 billion representing the minimum 25% subscription and paid-up capital for the increase in the authorized capital stock which were ratified by the stockholders representing at least 2/3 of the outstanding capital stock on April 24, 2019. These were approved by the BSP on August 8, 2019 and by the SEC on October 4, 2019. Following this, the authorized capital stock of the Parent Company increased from ₱100.0 billion to ₱140.0 billion consisting of 6.0 billion common shares and 1.0 billion preferred shares, both with par value of ₱20.0 per share. On October 16, 2019, the Parent Company received the SEC Order fixing the Record Date of the 13% stock dividend on October 31, 2019. The 13% stock dividend was issued on November 26, 2019 with record date on October 31, 2019. On November 19, 2019, the PSE approved the listing of such stock dividend.

All issued and outstanding shares of the Parent Company are listed with the PSE (Note 1). As of December 31, 2024 and 2023, there are 2,922 and 2,950 holders, respectively, of the listed shares of the Parent Company, with share price closed at ₱72.00 and ₱51.30 a share, respectively.

The history of share issuances during the last ten years follows:

Year	Issuance	Listing Date	Number of Shares Issued
2019	Stock dividend	November 26, 2019	517,400,519
2018	Stock rights	April 12, 2018	799,842,250
2015	Stock rights	April 7, 2015	435,371,720

Details of the Parent Company's cash dividend distributions from 2022 to 2024 follow:

Date of Declaration	Per Share	Total Amount	Record Date	Payment Date
February 21, 2024	₱1.50 (regular)	₱6,746	September 5, 2024	September 20, 2024
February 21, 2024	1.50 (regular)	6,746	March 8, 2024	March 25, 2024
February 21, 2024	2.00 (special)	8,995	March 8, 2024	March 25, 2024
February 22, 2023	0.80 (regular)	3,598	September 8, 2023	September 22, 2023
February 22, 2023	0.80 (regular)	3,598	March 17, 2023	March 31, 2023
February 22, 2023	1.40 (special)	6,296	March 17, 2023	March 31, 2023
February 23, 2022	0.80 (regular)	3,598	September 9, 2022	September 23, 2022
February 23, 2022	0.80 (regular)	3,598	March 17, 2022	March 31, 2022
February 23, 2022	1.40 (special)	6,296	March 17, 2022	March 31, 2022

On February 21, 2024, the BOD of the Parent Company approved a new dividend policy of increasing the regular cash dividends from ₱1.60 to ₱3.00 per share for the year, payable on semi-annual basis at ₱1.50 per share.

On February 23, 2022, the BOD of the Parent Company approved a new dividend policy of increasing the regular cash dividends from ₱1.00 to ₱1.60 per share for the year, payable on semi-annual basis at ₱0.80 per share.

The computation of surplus available for dividend declaration in accordance with SEC Memorandum Circular No. 16 issued in September 2023 differs to a certain extent from the computation following BSP guidelines.



24. Surplus Reserves

This account consists of:

	2024	2023
Reserve for trust business (Note 29)	₱2,278	₱2,164
Reserve for self-insurance	610	588
	₱2,888	₱2,752

In compliance with existing BSP regulations, 10.0% of the Parent Company's income from trust business is appropriated to surplus reserves. This yearly appropriation is required until the surplus reserve for trust business equals 20.0% of the Parent Company's regulatory net worth.

Reserve for self-insurance represents the amount set aside to cover losses due to fire, defalcation by and other unlawful acts of the Parent Company's personnel or third parties.

25. Other Operating Income and Expenses

Service Charges, Fees and Commissions

The table below presents the disaggregation of service charges, fees and commission by business segment:

	Consolidated			Parent Company		
	2024	2023	2022	2024	2023	2022
Consumer banking	₱9,101	₱8,036	₱7,234	₱8,464	₱7,486	₱6,735
Branch banking	3,893	4,017	3,978	2,780	2,898	2,860
Investment banking/treasury	1,058	750	823	944	552	658
Corporate banking	826	1,007	920	741	937	851
Others*	2,054	2,580	2,080	804	1,206	669
	₱16,932	₱16,390	₱15,035	₱13,733	₱13,079	₱11,773

*Others include the remittance business of the Group and the Parent Company.

The remaining performance obligations on revenue contracts with customers of the Group under PFRS 15, which are expected to be recognized beyond one year amounting to ₱1.3 billion and ₱943.3 million (included in 'Deferred revenues' under 'Other liabilities') as of December 31, 2024 and 2023, respectively, refer to the customer loyalty program of the Parent Company. The customer loyalty points have no expiration and redemptions can go beyond one year.

Miscellaneous Income and Expenses

In 2024, 2023 and 2022, miscellaneous income includes gain on initial recognition of investment properties and other non-financial assets amounting to ₱876.6 million, ₱836.1 million and ₱1.3 billion, respectively, for the Group, and ₱148.2 million, ₱104.6 million and ₱82.7 million, respectively, for the Parent Company; recovery on charged-off assets amounting to ₱1.2 billion, ₱1.2 billion and ₱1.2 billion, respectively, for the Group, and ₱867.8 million, ₱856.4 million and ₱858.5 million, respectively, for the Parent Company; and IT service fees and other income amounting to ₱606.1 million, ₱471.1 million and ₱645.4 million, respectively, for the Group, and ₱471.2 million, ₱294.3 million and ₱328.2 million, respectively, for the Parent Company (Note 32).



Miscellaneous expenses consist of:

	Consolidated			Parent Company		
	2024	2023	2022	2024	2023	2022
Security, messengerial, janitorial and other services	₱4,893	₱4,570	₱3,458	₱4,239	₱4,054	₱2,975
Insurance	4,852	4,490	4,063	4,326	3,925	3,454
Information technology (Note 32)	3,164	2,641	2,020	2,801	2,317	1,688
Advertising	2,181	1,878	1,380	2,108	1,796	1,288
Management, professional and supervision fees	1,343	1,665	1,411	1,142	1,350	1,139
Repairs and maintenance	786	692	659	322	267	242
Entertainment, amusement and representation (EAR) (Note 28)	672	448	336	604	392	284
Litigation (Note 12)	594	587	906	283	296	427
Transportation and travel	593	455	349	498	369	283
Communications	514	545	539	318	327	304
Stationery and supplies used	427	380	411	353	311	300
Others*	2,807	2,560	3,438	2,139	1,711	2,531
	₱22,826	₱20,911	₱18,970	₱19,133	₱17,115	₱14,915

* Other expenses mainly include membership fees, donation, freight charges and other business expenses.

26. Notes to Statements of Cash Flows

The amounts of interbank loans receivable and SPURA, gross of allowance for credit losses, considered as cash and cash equivalents follow:

	Consolidated			Parent Company		
	2024	2023	2022	2024	2023	2022
Interbank loans receivable and SPURA	₱81,348	₱73,015	₱73,763	₱53,960	₱59,219	₱65,550
Interbank loans receivable and SPURA not considered as cash and cash equivalents	(11,818)	(9,333)	(7,977)	(2,314)	(477)	(5,993)
	₱ 69,530	₱63,682	₱65,786	₱51,646	₱58,742	₱59,557

Significant non-cash transactions of the Group and the Parent Company include:

- Additions to ROU assets as disclosed in Note 10;
- Foreclosures of properties or additions to investment and chattel properties as disclosed in Notes 12 and 14, respectively;
- Reclassifications of BUC and Furniture, Fixtures and Equipment (FFE) (Note 10);
- Reclassifications of software cost from customized system development costs (Note 14).

The table below provides for the changes in liabilities arising from financing activities in 2024, 2023 and 2022:

	Consolidated			
	Beginning	Net Cash Flows	Others	Ending
2024				
Bills payable and SSURA (Note 17)	₱156,896	₱143,763	(₱8)	₱300,651
Bonds payable (Note 19)	70,089	33,751	3,396	107,236
Dividends payable (Note 21)	89	(1)	—	88
Total liabilities from financing activities	₱227,074	₱177,513	₱3,388	₱407,975
2023				
Bills payable and SSURA (Note 17)	₱91,322	₱66,629	(₱1,055)	₱156,896
Bonds payable (Note 19)	88,409	(18,400)	80	70,089
Subordinated debts (Note 20)	1,169	(1,170)	1	—
Dividends payable (Note 21)	90	(1)	—	89
Total liabilities from financing activities	₱180,990	₱47,058	(₱974)	₱227,074



	Consolidated			
	Beginning	Net Cash Flows	Others	Ending
2022				
Bills payable and SSURA (Note 17)	₱70,334	₱23,432	(₱2,444)	₱91,322
Bonds payable (Note 19)	79,823	6,023	2,563	88,409
Subordinated debts (Note 20)	1,168	—	1	1,169
Dividends payable (Note 21)	90	—	—	90
Total liabilities from financing activities	₱151,415	₱29,455	₱120	₱180,990

	Parent Company			
	Beginning	Net Cash Flows	Others	Ending
2024				
Bills payable and SSURA (Note 17)	₱141,081	₱145,466	(₱6)	₱286,541
Bonds payable (Note 19)	70,089	31,324	3,445	104,858
Total liabilities from financing activities	₱211,170	₱176,790	₱3,439	₱391,399
2023				
Bills payable and SSURA (Note 17)	₱76,456	₱65,000	(₱375)	₱141,081
Bonds payable (Note 19)	83,761	(13,750)	78	70,089
Subordinated debts (Note 20)	1,169	(1,170)	1	—
Total liabilities from financing activities	₱161,386	₱50,080	(₱296)	₱211,170
2022				
Bills payable and SSURA (Note 17)	₱52,514	₱24,123	(₱181)	₱76,456
Bonds payable (Note 19)	75,189	6,023	2,549	83,761
Subordinated debts (Note 20)	1,168	—	1	1,169
Total liabilities from financing activities	₱128,871	₱30,146	₱2,369	₱161,386

Others include the effect of cash flows of liabilities arising from operating activities.

27. Retirement Plan and Other Employee Benefits

The Parent Company and most of its subsidiaries have funded non-contributory defined benefit retirement plans covering all their respective permanent and full-time employees. Benefits are based on the employee's years of service and final plan salary.

For employees of the Parent Company, retirement from service is compulsory upon the attainment of the 55th birthday or 30th year of service, whichever comes first.

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 Parent Company and most of its subsidiaries meet the minimum retirement benefit specified under RA No. 7641.

The principal actuarial assumptions used in determining retirement liability of the Parent Company and significant subsidiaries are shown below:

	Parent Company	FMIC	PSBank	ORIX Metro
As of January 1, 2024				
Average remaining working life	9.62 years	7 to 9 years	8 years	10.10 to 18.20 years
Discount rate	6.08%	6.03% to 6.09%	6.06%	6.50%
Future salary increases	8.00%	6.00%	6.00%	7.00%



	Parent Company	FMIC	PSBank	ORIX Metro
As of January 1, 2023				
Average remaining working life	9.49 years	7 to 9 years	9 Years	10 to 24 years
Discount rate	7.12%	6.95% to 7.20%	7.11%	7.30% to 7.60%
Future salary increases	7.00%	5.75% to 6.00%	5.50%	7.00%

Discount rates used in computing for the present value of the DBO of the Parent Company and significant subsidiaries as of December 31, 2024 and 2023 follow:

	Parent Company	FMIC	PSBank	ORIX Metro
2024	6.07%	6.12%	6.12%	5.77 to 5.94%
2023	6.08%	6.03% to 6.09%	6.06%	6.50%

The net retirement liability of the Group and the Parent Company is presented in the following accounts in the statements of financial position:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Other assets (Note 14)	(P155)	(P212)	P-	P-
Other liabilities (Note 21)	3,246	2,910	3,144	2,553
	P3,091	P2,698	P3,144	P2,553

The defined benefit plan exposes the Group and the Parent Company to actuarial risk, such as longevity risk, interest rate risk and market (investment risk).

The fair value of plan assets by each class as at the end of the statement of financial position date are as follows:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Cash and cash equivalents	P3	P90	P-	P1
Deposits in banks	448	-	-	-
Investment securities				
Debt securities (Note 32)	21,145	22,113	16,710	17,699
Equity securities (Note 32)	2,839	2,715	2,605	2,530
Unit investment trust fund and others (Note 32)	783	518	699	438
Total investment securities	24,767	25,346	20,014	20,667
Other assets	330	293	271	225
Total assets	25,548	25,729	20,285	20,893
Total liabilities	(8)	(40)	(4)	(36)
Fair value of net plan assets	P25,540	P25,689	P20,281	P20,857



Changes in net defined benefit liability (asset) are as follows:

Consolidated	Present Value of DBO	Fair Value of Plan Assets	Net Retirement Liability/(Asset)
January 1, 2024	₱28,387	(₱25,689)	₱2,698
Net benefit cost			
Current service cost	2,261	—	2,261
Past service cost	18	—	18
Net interest	1,611	(1,496)	115
Sub-total	3,890	(1,496)	2,394
Benefits paid	(2,338)	2,338	—
Remeasurement in OCI			
Return on plan assets (excluding amount included in net interest)	—	(155)	(155)
Actuarial changes arising from experience adjustments	183	—	183
Actuarial changes arising from changes in financial/demographic assumptions	(1,491)	64	(1,427)
Sub-total	(1,308)	(91)	(1,399)
Contributions paid	—	(602)	(602)
December 31, 2024	₱28,631	(₱25,540)	₱3,091

Parent Company	Present Value of DBO	Fair Value of Plan Assets	Net Retirement Liability/(Asset)
January 1, 2024	₱23,410	(₱20,857)	₱2,553
Net benefit cost			
Current service cost	1,884	—	1,884
Net interest	1,322	(1,202)	120
Sub-total	3,206	(1,202)	2,004
Benefits paid	(1,948)	1,948	—
Remeasurement in OCI			
Return on plan assets (excluding amount included in net interest)	—	(170)	(170)
Actuarial changes arising from experience adjustments	156	—	156
Actuarial changes arising from changes in financial/demographic assumptions	(1,399)	—	(1,399)
Sub-total	(1,243)	(170)	(1,413)
Contributions paid	—	—	—
December 31, 2024	₱23,425	(₱20,281)	₱3,144

Consolidated	Present Value of DBO	Fair Value of Plan Assets	Net Retirement Liability/(Asset)
January 1, 2023	₱24,012	(₱24,427)	(₱415)
Net benefit cost			
Current service cost	1,808	—	1,808
Net interest	1,568	(1,694)	(126)
Sub-total	3,376	(1,694)	1,682
Benefits paid	(2,951)	2,951	—
Remeasurement in OCI			
Return on plan assets (excluding amount included in net interest)	—	219	219
Actuarial changes arising from experience adjustments	737	—	737
Actuarial changes arising from changes in financial/demographic assumptions	3,213	21	3,234
Sub-total	3,950	240	4,190
Contributions paid	—	(2,759)	(2,759)
December 31, 2023	₱28,387	(₱25,689)	₱2,698



Parent Company	Present Value of DBO	Fair Value of Plan Assets	Net Retirement Liability/(Asset)
January 1, 2023	₱19,888	(₱19,983)	(₱95)
Net benefit cost			
Current service cost	1,488	—	1,488
Net interest	1,288	(1,369)	(81)
Sub-total	2,776	(1,369)	1,407
Benefits paid	(2,629)	2,629	—
Remeasurement in OCI			
Return on plan assets (excluding amount included in net interest)	—	171	171
Actuarial changes arising from experience adjustments	672	—	672
Actuarial changes arising from changes in financial/demographic assumptions	2,703	—	2,703
Sub-total	3,375	171	3,546
Contributions paid	—	(2,305)	(2,305)
December 31, 2023	₱23,410	(₱20,857)	₱2,553

In 2024, 2023 and 2022, deferred tax on remeasurements on retirement plans charged to OCI amounted to ₱630.4 million, ₱460.0 million, and ₱108.0 million, respectively, for the Group, and ₱344.1 million, ₱250.0 million and ₱160.0 million, respectively, for the Parent Company (Note 28).

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the balance of DBO as of December 31, 2024 and 2023, assuming all other assumptions were held constant:

	Parent Company	FMIC	PSBank	ORIX Metro
As of December 31, 2024				
Discount rate				
+100 basis points (bps)	(₱1,425)	(₱14)	(₱256)	(₱92)
- 100 bps	1,611	16	287	108
Salary increase rate				
+100 bps	1,497	18	305	(110)
- 100 bps	(1,359)	(16)	(276)	95
Turnover rate				
+20% of actual rate	(319)	(4)	(29)	(17)
-20% of actual rate	347	5	32	(18)
As of December 31, 2023				
Discount rate				
+100 basis points (bps)	(₱1,450)	(₱18)	(₱273)	(₱71)
- 100 bps	1,640	20	809	84
Salary increase rate				
+100 bps	1,513	21	325	82
- 100 bps	(1,373)	(20)	(292)	(71)
Turnover rate				
+20% of actual rate	(365)	(6)	(41)	—
-20% of actual rate	398	7	46	—

The Group and the Parent Company expect to contribute to the defined benefit retirement plans the required funding for normal cost in 2025 amounting to ₱2.7 billion.

The average duration of the DBO of the Group as of December 31, 2024 and 2023 are as follows:

	Parent Company	FMIC	PSBank	ORIX Metro
2024	9.72 years	5.62 to 11.45 years	8.79 years	8.3 to 15.87 years
2023	9.62 years	6.14 to 11.46 years	9.57 years	7.6 to 10.9 years



Shown below is the maturity analysis of the undiscounted benefit payments:

	Parent Company	FMIC	PSBank	ORIX Metro
As of December 31, 2024				
Less than 1 year	₱3,471	₱32	₱352	₱43
1 to less than 5 years	10,947	209	1,888	293
5 to less than 10 years	12,999	181	2,501	409
10 to less than 15 years	18,427	175	2,997	926
15 to less than 20 years	16,112	155	1,925	1,251
20 years and above	20,172	129	1,714	3,698
As of December 31, 2023				
Less than 1 year	₱3,201	₱61	₱332	₱26
1 to less than 5 years	11,876	218	1,611	276
5 to less than 10 years	12,239	250	2,435	370
10 to less than 15 years	18,095	226	3,183	—
15 to less than 20 years	16,063	167	2,464	—
20 years and above	19,355	180	1,994	—

In addition, the Parent Company has a Provident Plan which is a supplementary contributory retirement plan to and forms part of the main plan, the Retirement Plan, for the exclusive benefit of eligible employees of the Parent Company in the Philippines. Based on the provisions of the plan, upon retirement or resignation, a member shall be entitled to receive as retirement or resignation benefits 100.00% of the accumulated value of the personal contribution plus a percentage of the accumulated value arising from the Parent Company's contributions in accordance with the completed number of years serviced. The Parent Company's contribution to the Provident Fund in 2024 and 2023 amounted to ₱364.5 million and ₱342.2 million, respectively.

As of December 31, 2024 and 2023, the retirement funds of the Group's employees amounting to ₱25.5 billion and ₱25.7 billion, respectively, are being managed by its trust banking units. The Parent Company has a Trust Committee that is mandated to approve the plan, trust agreement, investment plan, including any amendments or modifications thereto, and other activities of the retirement plan. Certain members of the BOD of the Parent Company are represented in the Trust Committee.

28. Income and Other Taxes

Under Philippine tax laws, the Parent Company and its domestic subsidiaries are subject to percentage and other taxes (presented as 'Taxes and licenses' in the statements of income), as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp tax (DST). Income taxes include regular corporate income tax (RCIT) and final taxes paid on gross interest income from government securities and other deposit substitutes.

On March 26, 2021, Republic Act (RA) No. 11534, otherwise known as Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law. CREATE reduced the RCIT rate for large corporations 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% of the interest income subjected to final tax.

The regulations also provide for Minimum Corporate Income Tax (MCIT) of 2.00% (provided that effective July 1, 2020 until June 30, 2023, the rate shall be 1%) on modified gross income and allow Net Operating Loss carry-over (NOLCO). The MCIT and NOLCO may be applied against the Parent Company's and its domestic subsidiaries' income tax liability and taxable income, respectively, over a three-year period from the year of inception. RA No. 11494 or the Bayanihan to



Recover as One Act (Bayanihan Act) extended the allowable carry-over period of NOLCO to the next five (5) consecutive years following the year of loss for losses incurred during the taxable years 2020 and 2021. The NOLCO for such can be carried over as deduction even after the expiration of the Bayanihan Act, provided that same are claimed within the next five (5) consecutive taxable years immediately following the year of the loss.

Current tax regulations also provide for the ceiling on the amount of EAR expense (Note 25) that can be claimed as a deduction against taxable income. Under the regulation, EAR expense allowed as a deductible expense for a service company like the Parent Company and its domestic subsidiaries is limited to the actual EAR paid or incurred but not to exceed 1.00% of net revenue.

Income derived by the FCDU from foreign currency-denominated transactions with non-residents, OBUs, local commercial banks including branches of foreign banks, is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10.00% income tax. In addition, interest income on deposit placements with other FCDUs and offshore banking units (OBUs) is taxed at 15.00%.

Following are the applicable taxes and tax rates for the foreign branches of the Parent Company:

Foreign Branches	Tax Rates
USA - New York Branch	21.00% federal income tax; 7.5% state tax; city tax of 9%; 2.175% MTA tax
Japan - Tokyo and Osaka Branches	23.20% income tax; various rates for business taxes and local business taxes,
Korea - Seoul and Pusan Branches	income tax of 20.90% in 2023-2024 and 22.00% in 2022; 0.50% education tax,
Taiwan - Taipei Branch	20.00% income tax; 5.00% gross business receipts tax; 5.0% value-added tax

The provision for income tax consists of:

	Consolidated			Parent Company		
	2024	2023	2022	2024	2023	2022
Current:						
Final tax	₱10,854	₱9,606	₱5,323	₱9,992	₱8,315	₱4,535
RCIT*	6,094	4,323	3,423	5,567	3,873	2,913
MCIT	1	3	2	—	—	—
	16,949	13,932	8,748	15,559	12,188	7,448
Deferred*	(5,604)	(1,042)	1,872	(5,700)	(128)	1,593
	₱11,345	₱12,890	₱10,620	₱9,859	₱12,060	₱9,041

* Includes income taxes of foreign subsidiaries.

Components of net deferred tax assets of the Group and the Parent Company follow:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Deferred tax asset on:				
Allowance for credit and impairment losses	₱10,465	₱10,644	₱8,662	₱8,824
Unamortized past service cost	1,228	1,507	1,026	1,316
Changes in fair market value and revaluation	4,283	(23)	4,314	(231)
Accrued expenses	886	1,007	869	970
Accumulated depreciation of investment properties	247	261	127	121
Retirement liability	1,153	1,024	804	638
Others	490	512	430	399
	18,752	14,932	16,232	12,037

(Forward)



	Consolidated		Parent Company	
	2024	2023	2024	2023
Deferred tax liability on:				
Unrealized gain on initial measurement of investment properties	₱560	₱537	₱160	₱137
Leasing income differential between finance and operating lease	120	163	—	—
Retirement asset	29	53	—	—
Others	6	8	—	—
	715	761	160	137
Net deferred tax assets	₱18,037	₱14,171	₱16,072	₱11,900

In 2024 and 2023, deferred tax credited to OCI amounted to ₱1.26 billion and ₱233 million, respectively, for the Group, and ₱1.05 billion and ₱502 million, respectively, for the Parent Company.

The Parent Company and certain subsidiaries did not recognize deferred tax assets on the following temporary differences:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Allowance for credit and impairment losses	₱2,096	₱9,534	₱2,096	₱8,857
NOLCO	1,066	2,416	899	899
MCIT	9	14	—	—
Others	135	—	—	—
	₱3,306	₱11,964	₱2,995	₱9,756

The Group believes that it is not reasonably probable that the tax benefits of these temporary differences will be realized in the future.

There are no income tax consequences attaching to the payment of dividends by the Group to its shareholders. There are no temporary differences arising from undistributed profits of subsidiaries, branches, associates and a JV.

Details of the excess MCIT credits of the Group follow:

Inception Year	Expiry Year	Consolidated		
		Amount	Used/Expired	Balance
2020	2025	₱3	₱—	₱3
2021	2026	3	—	3
2022	2025	3	—	3
2023	2026	4	—	4
2024	2027	1	—	1
		₱14	₱—	₱14

As of December 31, 2024, details of the Group and the Parent Company's NOLCO follow:

Inception Year	Expiry Year	Consolidated			Parent Company		
		Amount	Used/Expired	Balance	Amount	Used/Expired	Balance
2020	2025	₱191	₱—	₱191	₱—	₱—	₱—
2021	2026	483	2	481	210	—	210
2022	2025	810	—	810	287	—	287
2023	2026	1,818	—	1,818	1,315	—	1,315
2024	2027	459	—	459	—	—	—
		₱3,761	₱2	₱3,759	₱1,812	₱—	₱1,812



A reconciliation of the statutory income tax rates and the effective income tax rates follows:

	Consolidated			Parent Company		
	2024	2023	2022	2024	2023	2022
Statutory income tax rate	25%	25%	25%	25%	25%	25%
Tax effects of:						
Tax-paid, tax-exempt and other non-taxable income	(7.73)	(6.83)	(3.06)	(7.66)	(6.16)	(2.46)
Non-deductible expense	4.14	4.04	2.63	4.00	3.59	2.75
FCDU income	(1.00)	(0.90)	(1.90)	(1.07)	(0.95)	(2.42)
Change in unrecognized deferred tax assets	(4.79)	(1.32)	0.10	(4.87)	—	—
Others - net	3.10	3.09	1.41	1.58	0.73	(1.25)
Effective income tax rate	18.72%	23.08%	24.18%	16.98%	22.21%	21.62%

29. Trust Operations

Properties held by the Parent Company and PSBank in fiduciary or agency capacity for their customers are not included in the accompanying statements of financial position since these are not their resources.

In compliance with current banking regulations relative to the Parent Company and PSBank's trust functions, the following are the carrying values of the government securities deposited with the BSP:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Investment securities at amortized cost	₱7,610	₱7,559	₱7,610	₱7,559
Investment securities at FVOCI	120	124	—	—
	₱7,730	₱7,683	₱7,610	₱7,559

30. Commitments and Contingent Liabilities

In the normal course of the Group's operations, there are various outstanding commitments and contingent liabilities which are not reflected in the accompanying financial statements. No material losses are anticipated as a result of these transactions. The summary of contingencies and commitments at their peso-equivalent contractual amounts arising from off-balance sheet items follows:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Trust Banking Group accounts (Note 29)	₱581,368	₱497,607	₱565,936	₱485,425
Forward exchange sold	394,694	485,257	371,734	474,199
Forward exchange bought	385,994	676,781	385,994	676,781
Cross currency swaps	371,555	311,368	371,555	311,368
Credit card lines	332,364	276,839	332,364	276,839
Interest rate swaps	325,492	234,251	325,492	234,251
Unused commercial letters of credit (Note 32)	71,604	61,936	57,440	45,558
Undrawn commitments - facilities to lend	53,640	53,740	53,580	53,729
Derivative spot	52,588	111,561	52,559	111,533
Bank guaranty with indemnity agreement (Note 32)	15,499	11,732	15,498	11,732
FX options	13,935	25,108	13,935	25,108
Bond futures	—	13,095	—	13,095
Interest rate options	11,527	15,700	—	—
Credit line certificate with bank commission	7,300	3,963	7,300	3,963
Outstanding guarantees	5,330	6,637	5,330	6,637
Credit default swaps	3,181	3,045	3,181	3,045

(Forward)



	Consolidated		Parent Company	
	2024	2023	2024	2023
Outstanding shipside bonds/airway bills	₱1,715	₱1,436	₱923	₱656
Inward bills for collection	1,521	1,662	1,521	1,661
Late deposits/payments received	1,053	944	1,053	943
Outward bills for collection	967	640	883	559
Confirmed export letters of credits	24	44	—	—
Others	29,578	27,480	7,111	6,825
	₱2,660,929	₱2,820,826	₱2,573,389	₱2,743,907

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

31. Earnings per Share

The basis of calculation for earnings per share attributable to equity holdings of the Parent Company follows (amounts in millions, except for earnings per share):

	2024	2023	2022
a. Net income attributable to equity holders of the Parent Company	₱48,137	₱42,238	₱32,776
b. Weighted average number of outstanding common shares of the Parent Company	4,496	4,496	4,496
c. Basic/diluted earnings per share (a/b)	₱10.71	₱9.39	₱7.29

32. 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 or if they are subjected to common control or common significant influence such as subsidiaries and associates of subsidiaries or other related parties. Related parties may be individuals or corporate entities and are classified as entities with significant influence, subsidiaries, associates, other related parties and key personnel (Notes 2 and 11).

The Group has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties. These transactions also did not involve more than the normal risk of collectibility and did not present other unfavorable conditions.

The Parent Company has a Related Party Transactions Committee (RPTC) and a Related Party Transactions Management Committee (RPTMC), both of which are created to assist the BOD in ensuring that transactions with related parties are reviewed to assess risks and are subjected to appropriate restrictions to ensure that these are conducted at arm's-length terms and that corporate or business resources of the Parent Company are not misappropriated or misapplied. After appropriate review, RPTMC (through RPTC) and RPTC disclose all information and endorses to the BOD with recommendations, the proposed related party transactions. The members of the RPTC are appointed annually by the BOD, composed of at least three (3) Board non-executive members, two (2) of whom should be independent directors, including the Chairman. Currently, RPTC is composed of three (3) independent directors (including the Committee's Chairman); the head of Internal Audit Group (as Resource Person); and the Compliance Officer (as the Committee Secretary) and meets monthly or as



the need arises. On the other hand, RPTMC members are appointed annually by the President, composed of at least four (4) members. RPTC's and RPTMC's review of the proposed related party transactions considers the following:

- a. Identity and relationship of the parties involved in the transaction;
- b. Terms of the transaction and whether these are no less favorable than terms generally available to an unrelated third party under the same circumstances;
- c. Business purpose, timing, rationale and benefits of the transaction;
- d. Approximate monetary value of the transaction and the approximate monetary value of the related party's interest in the transaction;
- e. Valuation methodology used and alternative approaches to valuation of the transaction;
- f. Information concerning potential counterparties in the transaction;
- g. Description of provisions or limitations imposed as a result of entering into the transaction;
- h. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the transaction;
- i. Impact to a director's independence;
- j. Extent that such transaction or relationship would present an improper conflict of interest; and
- k. The availability of other sources of comparable products or services.

The Group established policies and procedures on related party transactions in accordance with the regulations of the BSP and SEC. All related party transactions, exceeding the established materiality thresholds, must undergo prior review by the RPTC before being endorsed to the BOD for approval.

Material related party transactions, either individually or in aggregate over a twelve-month period with the same party, amounting to ten percent (10%) or more of the Bank's total consolidated assets, require the evaluation of an appointed external independent party and approval by at least a two-thirds vote of the BOD, with at least a majority of the independent directors.

The committees ensured that all related party transactions for the financial year are conducted in fair and at arm's-length terms.

Further, no director or officer participates in any discussion of a related party transaction for which he, she, or any member of his or her immediate family is a related party, including transactions of subordinates, except in order to provide material information on such related party transaction to RPTC.

Major subsidiaries, which include FMIC, PSBank, and MBCL, have their own respective RPTCs which assist their respective BODs in ensuring that transactions with related parties are reviewed to assess risks and are subjected to appropriate restrictions to ensure that these are conducted at arm's-length terms and that their corporate or business resources are not misappropriated or misapplied.

Details on significant related party transactions of the Group and the Parent Company follow (transactions with subsidiaries have been eliminated in the consolidated financial statements):

Category	Consolidated	
	Amount	Terms and Conditions/Nature
2024		
Entity with Significant Influence Over the Group		
<u>Outstanding Balance:</u>		
Deposit liabilities*	₱1,274	With annual fixed interest rates ranging from 0.05% to 5.25%, including time deposits with maturity terms ranging from 30 to 63 days (Note 16)
<u>Amount/Volume:</u>		
Deposit liabilities	(1,257)	Generally similar to terms and conditions above
Interest expense	31	Interest expense on deposit liabilities (Note 16)



Category	Consolidated	
	Amount	Terms and Conditions/Nature
Subsidiaries		
<u>Outstanding Balance:</u>		
Interbank loans receivable*	₱2,161	Foreign currency-denominated lending which earn annual fixed interest rates ranging from 2.1% to 3.0% with maturity terms from 9 to 14 days with minimal expected credit loss (Note 7)
Receivables from customers*	3,615	Secured - ₱495.6 million, unsecured - ₱3.1 billion with ECL of ₱11.7 million; With annual fixed interest rates at 5.40% and maturity terms ranging from 6 to 350 days (Note 9)
Accounts receivable	165	Non-interest bearing receivables on ATM, remittance and rental fees (Note 9)
Other receivables	32	Non-interest bearing receivables on rental fees (Note 9)
Deposit liabilities*	7,169	With annual fixed interest rates ranging from 0.05% to 6.13% including time deposits with maturity terms ranging from 6 to 90 days (Note 16)
<u>Amount/Volume:</u>		
Interbank loans receivable	(6,480)	Generally similar to terms and conditions above
Receivables from customers	1,896	Generally similar to terms and conditions above
Accounts receivable	(5)	Generally similar to terms and conditions above
Deposit liabilities	1,330	Generally similar to terms and conditions above
Interest income	119	Interest income on receivables from customers and interbank loan receivables (Notes 7 and 9)
Service charges, fees and commissions	25	Income on transactional fees
Trading and securities gain - net	607	Net gain from securities transactions (Note 8)
Foreign exchange loss - net	(17)	Net loss from foreign exchange transactions
Leasing income	9	Income from leasing agreements with various lease terms
Miscellaneous income	191	Information technology, internal audit fees and other fees (Note 25)
Interest expense	235	Interest expense on deposit liabilities and bills payable (Note 16 and 17)
Securities transactions		
Purchases	21,967	Outright purchases of investment securities at FVTPL and FVOCI
Sales	39,840	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	4,878	Outright purchases of foreign currency
Sell	14,121	Outright sale of foreign currency
Associates		
<u>Outstanding Balance:</u>		
Receivables from customers	₱1,256	Unsecured, with ECL of ₱5.3 million; With annual fixed interest rates ranging from 5.65% to 6.55% and maturity terms ranging from 64 to 730 days (Note 9)
Deposit liabilities*	1,632	With annual fixed interest rates ranging from 0.05% to 5.00% including time deposits with maturity terms ranging from 41 to 45 days (Note 16)
<u>Amount/Volume:</u>		
Receivables from customers	(775)	Generally similar to terms and conditions above
Deposit liabilities	(1,614)	Generally similar to terms and conditions above
Interest Income	122	Interest income on receivables from customers (Note 9)
Trading and securities gain - net	49	Net gain from securities transactions (Note 8)
Foreign exchange gain- net	5	Net gain from foreign exchange transactions
Leasing income	21	Income from leasing agreements with various lease terms
Interest expense	3	Interest expense on deposit liabilities (Note 16)
Securities transactions		
Outright purchases	2,476	Outright purchases of FVTPL securities and FVOCI investments
Outright sales	6,528	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	500	Outright purchases of foreign currency
Sell	1,542	Outright sale of foreign currency



Category	Consolidated	
	Amount	Terms and Conditions/Nature
Other Related Parties		
<u>Outstanding Balance:</u>		
Receivables from customers*	₱41,109	Secured - ₱6.2 billion, unsecured - ₱34.6 billion with ECL of ₱249.5 million, annual fixed interest rates ranging from 4.15% to 7.89% and maturity terms ranging from 6 days to 5 years. (Note 9)
Assets held under joint operations	137	Parcels of land and former branch sites of the Parent Company contributed to joint operations. (Note 14)
Deposit liabilities*	16,317	With annual fixed interest rates ranging from 0.05% to 5.75% including time deposits with maturity terms ranging from 6 to 364 days (Note 16)
<u>Amount/Volume:</u>		
Receivables from customers	3,211	Generally similar to terms and conditions above
Deposit liabilities	(1,203)	Generally similar to terms and conditions above
Interest income	2,193	Interest income on receivables from customers (Note 9)
Foreign exchange loss - net	(111)	Net loss from foreign exchange transactions
Leasing income	12	Income from leasing agreements with various lease terms
Interest expense	357	Interest expense on deposit liabilities (Note 16)
Lease payments	265	Payments for leasing agreements with various lease terms
Contingent		
Unused commercial LCs	55	LC transactions with various terms
Others	1	Bank guaranty with indemnity agreement
Securities transactions		
Outright Purchases	326	Outright purchases of investment securities at FVTPL
Outright Sales	939	Outright sale of investment securities at FVTPL
Foreign currency		
Buy	855	Outright purchases of foreign currency
Sell	147,913	Outright sale of foreign currency
Key Personnel		
<u>Outstanding Balance:</u>		
Receivables from customers	₱148	Secured - ₱117.6 million, unsecured - ₱30.6 million, no impairment; With annual fixed interest rates ranging from 6.00% to 9.00% and maturity terms from 1 to 16 years (Note 9)
Deposit liabilities	830	With various terms and minimum annual interest rate of 0.05% (Note 16)
<u>Amount/Volume:</u>		
Deposit liabilities	232	Generally similar to terms and conditions above
Interest income	4	Interest income on receivables from customers (Note 9)
2023		
Entity with Significant Influence Over the Group		
<u>Outstanding Balance:</u>		
Deposit liabilities*	₱2,531	With annual fixed interest rates ranging from 0.05% to 5.00%, including time deposits with maturity terms ranging from 19 to 30 days (Note 16)
<u>Amount/Volume:</u>		
Deposit liabilities	(6,514)	Generally similar to terms and conditions above
Interest expense	59	Interest expense on deposit liabilities (Note 16)
Securities transactions		
Sales	29	Outright sale of FVTPL
Subsidiaries		
<u>Outstanding Balance:</u>		
Interbank loans receivable*	₱8,641	Foreign currency-denominated lending which earn annual fixed interest rates ranging from 3.51% to 6.25% with maturity terms from 8 to 153 days (Note 7)
Receivables from customers*	1,719	Unsecured, with ECL of ₱7.1 million; With annual fixed interest rates ranging from 0.00% to 6.45% and maturity terms ranging from 4 to 240 days (Note 9)
Accounts receivable	170	Non-interest bearing receivables on remittance and rental fees (Note 9)
Other receivables	8	Non-interest bearing receivables on rental fees (Note 9)
Deposit liabilities*	5,839	With annual fixed interest rates ranging from 0.05% to 5.96% including time deposits with maturity terms ranging from 4 to 91 days (Note 16)
Treasury stock	70	Parent Company's shares held by FMIC's mutual fund subsidiary (Note 23)

(Forward)



Category	Consolidated	
	Amount	Terms and Conditions/Nature
<u>Amount/Volume:</u>		
Interbank loans receivable	(P2,565)	Generally similar to terms and conditions above
Receivables from customers	(1,618)	Generally similar to terms and conditions above
Accounts receivable	(50)	Generally similar to terms and conditions above
Deposit liabilities	(152)	Generally similar to terms and conditions above
Interest income	401	Interest income on receivables from customers and interbank loan receivables (Notes 7 and 9)
Service charges, fees and commissions	29	Income on transactional fees
Trading and securities gain - net	1,002	Net gain from securities transactions (Note 8)
Foreign exchange loss - net	(13)	Net loss from foreign exchange transactions
Leasing income	12	Income from leasing agreements with various lease terms
Miscellaneous income	171	Information technology services and other fees (Note 25)
Interest expense	272	Interest expense on deposit liabilities and bills payable (Note 16 and 17)
Securities transactions		
Purchases	43,789	Outright purchases of investment securities at FVTPL and FVOCI
Sales	77,931	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	6,181	Outright purchases of foreign currency
Sell	11,052	Outright sale of foreign currency
<u>Associates</u>		
<u>Outstanding Balance:</u>		
Receivables from customers	P2,031	Unsecured, with ECL of P9.4 million; With annual fixed interest rates ranging from 6.30% to 6.55% and maturity terms ranging from 183 to 730 days (Note 9)
Deposit liabilities*	2,699	With annual fixed interest rates ranging from 0.05% to 5.13% including time deposits with maturity terms ranging from 32 to 45 days (Note 16)
<u>Amount/Volume:</u>		
Receivables from customers	1,324	Generally similar to terms and conditions above
Deposit liabilities	1,169	Generally similar to terms and conditions above
Interest Income	91	Interest income on receivables from customers (Note 9)
Trading and securities gain - net	69	Net gain from securities transactions (Note 8)
Foreign exchange gain - net	4	Net gain from foreign exchange transactions
Leasing income	2	Income from leasing agreements with various lease terms
Interest expense	1	Interest expense on deposit liabilities
Securities transactions		
Outright purchases	2,460	Outright purchases of FVTPL securities and FVOCI investments
Outright sales	7,024	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	311	Outright purchases of foreign currency
Sell	1,197	Outright sale of foreign currency
<u>Other Related Parties</u>		
<u>Outstanding Balance:</u>		
Receivables from customers*	P37,898	Unsecured with ECL of P192.2 million, annual fixed interest rates ranging from 3.20% to 7.37% and maturity terms ranging from 9 days to 5 years.
Assets held under joint operations	219	Parcels of land and former branch sites of the Parent Company contributed to joint operations. (Note 14)
Deposit liabilities*	17,520	With annual fixed interest rates ranging from 0.05% to 6.00% including time deposits with maturity terms ranging from 4 to 360 days (Note 16)
<u>Amount/Volume:</u>		
Receivables from customers	3,265	Generally similar to terms and conditions above
Deposit liabilities	(13,618)	Generally similar to terms and conditions above
Interest income	2,112	Interest income on receivables from customers (Note 9)
Foreign exchange gain - net	159	Net gain from foreign exchange transactions
Profits from assets sold	1,299	Gain on sale of ropa
Interest expense	65	Interest expense on deposit liabilities (Note 16)
Lease payments	249	Payments for leasing agreements with various lease terms.
Securities transactions		
Outright Purchases	225	Outright purchases of investment securities at FVTPL
Outright Sales	1,332	Outright sale of investment securities at FVTPL
Foreign currency		
Buy	6,852	Outright purchases of foreign currency
Sell	129,951	Outright sale of foreign currency



Category	Consolidated	
	Amount	Terms and Conditions/Nature
Key Personnel		
<u>Outstanding Balance:</u>		
Receivables from customers	₱139	Secured - ₱108.4 million, unsecured - ₱30.6 million, no impairment; With annual fixed interest rates ranging from 0.00% to 9.00% and maturity terms from 1 to 19 years (Note 9)
Deposit liabilities	397	With various terms and minimum annual interest rate of 0.05% (Note 16)
<u>Amount/Volume:</u>		
Deposit liabilities	65	Generally similar to terms and conditions above
Interest income	4	Interest income on receivables from customers (Note 9)
2022		
Entity with Significant Influence Over the Group		
<u>Outstanding Balance:</u>		
Deposit liabilities*	₱9,045	With annual fixed interest rates ranging from 0.00% to 4.88%, including time deposits with maturity terms ranging from 30 to 34 days (Note 16)
<u>Amount/Volume:</u>		
Deposit liabilities	7,717	Generally similar to terms and conditions above
Bills payable	(108)	Generally similar to terms and conditions above
Interest expense	12	Interest expense on deposit liabilities (Note 16)
Subsidiaries		
<u>Outstanding Balance:</u>		
Interbank loans receivable*	₱11,206	Foreign currency-denominated lending which earn annual fixed interest rates ranging from 1.10% to 5.05% with maturity terms from 31 to 243 days (Note 7)
Receivables from customers*	3,337	Unsecured, with ECL of ₱4.50 million; With annual fixed interest rates ranging from 0.00% to 5.50% and maturity terms ranging from 5 to 210 days (Note 9)
Accounts receivable	220	Non-interest bearing receivables on remittance and rental fees (Note 9)
Other receivables	15	Non-interest bearing receivables on remittance (Note 9)
Deposit liabilities*	5,991	With annual fixed interest rates ranging from 0.00% to 5.00% including time deposits with maturity terms ranging from 5 to 91 days (Note 16)
Treasury stock	72	Parent Company's shares held by FMIC's mutual fund subsidiary (Note 23)
Dividends declared	1,132	Dividend declared by PSBank (Note 11)
<u>Amount/Volume:</u>		
Interbank loans receivable	2,442	Generally similar to terms and conditions above
Receivables from customers	3,002	Generally similar to terms and conditions above
Accounts receivable	84	Generally similar to terms and conditions above
Deposit liabilities	(279)	Generally similar to terms and conditions above
Bills payable	(40)	Generally similar to terms and conditions above
Interest income	157	Interest income on receivables from customers and interbank loan receivables (Notes 7 and 9)
Service charges, fees and commissions	38	Income on transactional fees
Trading and securities gain - net	540	Net gain from securities transactions (Note 8)
Foreign exchange gain - net	16	Net gain from foreign exchange transactions
Leasing income	26	Income from leasing agreements with various lease terms
Miscellaneous income	151	Information technology services and other fees (Note 25)
Interest expense	33	Interest expense on deposit liabilities and bills payable (Note 16 and 17)
Securities transactions		
Purchases	39,085	Outright purchases of investment securities at FVTPL and FVOCI
Sales	49,996	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	13,937	Outright purchases of foreign currency
Sell	4,745	Outright sale of foreign currency



Category	Consolidated	
	Amount	Terms and Conditions/Nature
Associates		
<u>Outstanding Balance:</u>		
Receivables from customers	₱707	Unsecured, with ECL of ₱1.58 million; With annual fixed interest rates ranging from 0.00% to 5.55% and maturity terms ranging from 60 to 273 days (Note 9)
Deposit liabilities*	2,077	With annual fixed interest rates ranging from 0.00% to 5.13% including time deposits with maturity terms ranging from 31 to 357 days (Note 16)
<u>Amount/Volume:</u>		
Receivables from customers	66	Generally similar to terms and conditions above
Deposit liabilities	(27)	Generally similar to terms and conditions above
Interest income	13	Interest income on receivables from customers (Note 9)
Trading and securities gain - net	6	Net gain from securities transactions (Note 8)
Leasing income	21	Income from leasing agreements with various lease terms
Interest expense	2	Interest expense on deposit liabilities
Securities transactions		
Outright purchases	342	Outright purchases of FVTPL securities and FVOCI investments
Outright sales	1,210	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	335	Outright purchases of foreign currency
Sell	935	Outright sale of foreign currency
Other Related Parties		
<u>Outstanding Balance:</u>		
Receivables from customers*	₱34,633	Secured - ₱7.18 billion, unsecured - ₱27.46 billion, with ECL of ₱98.59 million. With annual fixed interest rates ranging from 0.00% to 6.84% and maturity terms ranging from 2 days to 5 years (Note 9)
Assets held under joint operations	219	Parcels of land and former branch sites of the Parent Company contributed to joint operations (Note 14)
Deposit liabilities*	31,138	With annual fixed interest rates ranging from 0.00% to 4.88% including time deposits with maturity terms ranging from 5 to 359 days (Note 16)
<u>Amount/Volume:</u>		
Receivables from customers	3,270	Generally similar to terms and conditions above
Deposit liabilities	8,985	Generally similar to terms and conditions above
Interest income	1,261	Interest income on receivables from customers (Note 9)
Foreign exchange loss - net	(160)	Net loss from foreign exchange transactions
Interest expense	59	Interest expense on deposit liabilities (Note 16)
Lease payments	40	Payments for leasing agreements with various lease terms.
Contingent		
Unused commercial LCs	58	LC transactions with various terms
Foreign currency		
Buy	9,308	Outright purchases of foreign currency
Sell	120,202	Outright sale of foreign currency
Key Personnel		
<u>Outstanding Balance:</u>		
Receivables from customers	₱117	Secured - ₱89.88 million, unsecured - ₱27.46 million, no impairment; With annual fixed interest rates ranging from 0.00% to 9.00% and maturity terms from 1 to 19 years (Note 9)
Deposit liabilities	332	With various terms and minimum annual interest rate of 0.00% (Note 16)
<u>Amount/Volume:</u>		
Receivables from customers	26	Generally similar to terms and conditions above
Deposit liabilities	63	Generally similar to terms and conditions above
Interest income	3	Interest income on receivables from customers (Note 9)

* Includes accrued interest



Category	Parent Company	
	Amount	Terms and Conditions/Nature
2024		
Entities with Significant Influence		
<u>Outstanding Balance:</u>		
Deposit liabilities*	₱1,274	With annual fixed interest rate ranging from 0.05% to 5.25% including time deposits with maturity terms ranging from 30 to 63 days (Note 16)
<u>Amount/Volume:</u>		
Deposit liabilities	(1,257)	Generally similar to terms and conditions above
Interest expense	31	Interest expense on deposit liabilities (Note 16)
Subsidiaries		
<u>Outstanding Balance:</u>		
Interbank loans receivable*	₱2,161	Foreign currency-denominated lending which earn annual fixed interest rates ranging from 2.1% to 3.0% with maturity terms from 9 to 14 days with minimal expected credit loss (Note 7)
Receivables from customers*	3,615	Secured - ₱495.6 million, unsecured - ₱3,118.9 million, with ECL of ₱11.7 million; With annual fixed interest rates of 5.40% and maturity terms ranging from 6 to 350 days (Note 9)
Accounts receivable	96	Non-interest bearing receivables on ATM, remittance and rental fees (Note 9)
Other receivables	32	Non-interest bearing receivables on rental fees (Note 9)
Deposit liabilities*	6,439	With annual fixed interest rates ranging from 0.05% to 6.13% including time deposits with maturity terms ranging from 6 to 90 days (Note 16)
<u>Amount/Volume:</u>		
Interbank loans receivable	(6,480)	Generally similar to terms and conditions above
Receivables from customers	1,896	Generally similar to terms and conditions above
Accounts receivable	3	Generally similar to terms and conditions above
Deposit liabilities	1,724	Generally similar to terms and conditions above
Interest income	119	Interest income on receivables from customers and interbank loans receivables (Note 7 and 9)
Service charges, fees and commissions	25	Income from transactional fees
Trading and securities gain - net	593	Net gain from securities transactions (Note 8)
Foreign exchange loss - net	(17)	Net loss from foreign exchange transactions
Leasing income	9	Income from leasing agreements with various lease terms
Miscellaneous income	191	Information technology services and other fees (Note 25)
Interest expense	235	Interest expense on deposit liabilities (Note 16)
Securities transactions		
Purchases	21,789	Outright purchases of investment securities at FVTPL and FVOCI
Sales	39,322	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	4,878	Outright purchases of foreign currency
Sell	14,121	Outright sale of foreign currency
Associates		
<u>Outstanding Balance:</u>		
Receivables from customers	₱1,256	Unsecured, with ECL of ₱5.3 million; With annual fixed interest rates ranging from 5.65% to 6.55% and maturity terms ranging from 64 to 730 days (Note 9)
Deposit liabilities*	1,618	With annual fixed interest rates ranging from 0.05% to 5.00% including time deposits with maturity terms from 41 to 45 days (Note 16)
<u>Amount/Volume:</u>		
Receivables from customers	(775)	Generally similar to terms and conditions above
Deposit liabilities	(1,081)	Generally similar to terms and conditions above
Interest Income	122	Interest income on receivables from customers
Trading and securities gain - net	49	Net gain from securities transactions (Note 8)
Foreign exchange gain - net	5	Net gain from foreign exchange transactions
Leasing income	2	Income from leasing agreements with various lease terms
Interest expense	4	Interest expense on deposit liabilities (Note 16)
Securities transactions		
Outright purchases	2,118	Outright purchases of HFT securities and AFS investments
Outright sales	5,620	Outright sale of investment securities at FVTPL and FVOCI

(Forward)



Category	Parent Company	
	Amount	Terms and Conditions/Nature
Foreign currency		
Buy	₱500	Outright purchase of foreign currency
Sell	1,542	Outright sale of foreign currency
Other Related Parties		
<u>Outstanding Balance:</u>		
Receivables from customers*	₱41,109	Secured – ₱6.2 billion, unsecured – ₱34.7 billion, with ECL of ₱249.5 million. With annual fixed interest rates ranging from 4.15% to 7.89% and maturity terms ranging from 6 days to 5 years (Note 9)
Assets held under joint operations	137	Parcels of land and former branch sites of the Parent Company contributed to joint operations (Note 14)
Deposit liabilities*	16,317	With annual fixed interest rates ranging from 0.05% to 5.75% including time deposits with maturity terms ranging from 6 to 364 days (Note 16)
<u>Amount/Volume:</u>		
Receivables from customers	3,211	Generally similar to terms and conditions above
Deposit liabilities	(1,203)	Generally similar to terms and conditions above
Interest income	2,193	Interest income on receivables from customers (Note 9)
Foreign exchange loss - net	(111)	Net loss from foreign exchange transactions
Interest expense	357	Interest expense on deposit liabilities (Note 16)
Lease Payments	265	Payments for leasing agreements with various lease terms
Contingent		
Unused commercial LCs	55	LC transactions with various terms
Others	1	Bank guaranty with indemnity agreement
Securities transactions		
Outright purchases	326	Outright purchases of FVTPL securities and FVOCI investments
Sales	332	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	855	Outright purchases of foreign currency
Sell	147,913	Outright sale of foreign currency
Key Personnel		
<u>Outstanding Balance:</u>		
Receivables from customers	₱134	Secured - ₱117.1 million and unsecured - ₱16.5 million, no impairment; With annual fixed interest rates ranging from 6.00% to 9.00% and maturity terms from 5 to 16 years (Note 9)
Deposit liabilities	418	With various terms and minimum annual interest rate of 0.00% (Note 16)
<u>Amount/Volume:</u>		
Receivables from customers	10	Generally similar to terms and conditions above
Deposit liabilities	21	Generally similar to terms and conditions above
Interest income	3	Interest income on receivables from customers (Note 9)
2023		
Entities with Significant Influence		
<u>Outstanding Balance:</u>		
Deposit liabilities*	₱2,531	With annual fixed interest rate ranging from 0.05% to 5.00% including time deposits with maturity terms ranging from 19 to 30 days (Note 16)
<u>Amount/Volume:</u>		
Deposit liabilities	(6,514)	Generally similar to terms and conditions above
Interest expense	59	Interest expense on deposit liabilities (Note 16)
Subsidiaries		
<u>Outstanding Balance:</u>		
Interbank loans receivable*	₱8,641	Foreign currency-denominated lending which earn annual fixed interest rates ranging from 3.51% to 5.05% with maturity terms from 31 to 243 days with minimal expected credit loss (Note 7)
Receivables from customers*	1,719	Unsecured, with ECL of ₱7.1 million; With annual fixed interest rates ranging from 0.00% to 6.45% and maturity terms ranging from 4 to 240 days (Note 9)
Accounts receivable	93	Non-interest bearing receivables on remittance and rental fees (Note 9)
Other receivables	8	Non-interest bearing receivables on rental fees (Note 9)
Deposit liabilities*	4,715	With annual fixed interest rates ranging from 0.05% to 5.96% including time deposits with maturity terms ranging from 4 to 91 days (Note 16)
Treasury stock	70	Parent Company's shares held by FMIC's mutual fund subsidiary (Note 23)

(Forward)



Category	Parent Company	
	Amount	Terms and Conditions/Nature
<u>Amount/Volume:</u>		
Interbank loans receivable	(P2,565)	Generally similar to terms and conditions above
Receivables from customers	(1,618)	Generally similar to terms and conditions above
Accounts receivable	(91)	Generally similar to terms and conditions above
Deposit liabilities	(1,276)	Generally similar to terms and conditions above
Interest income	401	Interest income on receivables from customers and interbank loans receivables (Note 7 and 9)
Service charges, fees and commissions	1	Income from transactional fees
Trading and securities gain - net	998	Net gain from securities transactions (Note 8)
Foreign exchange loss - net	(13)	Net loss from foreign exchange transactions
Leasing income	8	Income from leasing agreements with various lease terms
Miscellaneous income	170	Information technology services and other fees (Note 25)
Interest expense	125	Interest expense on deposit liabilities (Note 16)
Securities transactions		
Purchases	43,656	Outright purchases of investment securities at FVTPL and FVOCI
Sales	77,497	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	6,181	Outright purchases of foreign currency
Sell	11,052	Outright sale of foreign currency
<u>Associates</u>		
<u>Outstanding Balance:</u>		
Receivables from customers	P2,031	Unsecured, with ECL of P9.4 million; With annual fixed interest rates ranging from 6.30% to 6.55% and maturity terms ranging from 183 to 730 days (Note 9)
Deposit liabilities*	2,699	With annual fixed interest rates ranging from 0.05% to 5.13% including time deposits with maturity terms from 32 to 45 days (Note 16)
<u>Amount/Volume:</u>		
Receivables from customers	1,324	Generally similar to terms and conditions above
Deposit liabilities	741	Generally similar to terms and conditions above
Interest Income	91	Interest income on receivables from customers
Trading and securities gain - net	69	Net gain from securities transactions (Note 8)
Foreign exchange gain - net	4	Net gain from foreign exchange transactions
Leasing income	2	Income from leasing agreements with various lease terms
Interest expense	1	Interest expense on deposit liabilities (Note 16)
Securities transactions		
Outright purchases	2,350	Outright purchases of HFT securities and AFS investments
Outright sales	3,446	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	311	Outright purchase of foreign currency
Sell	1,197	Outright sale of foreign currency
<u>Other Related Parties</u>		
<u>Outstanding Balance:</u>		
Receivables from customers*	P37,898	Unsecured, with ECL of P192.2 million. With annual fixed interest rates ranging from 3.20% to 7.37% and maturity terms ranging from 9 days to 5 years (Note 9)
Assets held under joint operations	219	Parcels of land and former branch sites of the Parent Company contributed to joint operations (Note 14)
Deposit liabilities*	17,520	With annual fixed interest rates ranging from 0.05% to 6.00% including time deposits with maturity terms ranging from 5 to 360 days (Note 16)
<u>Amount/Volume:</u>		
Receivables from customers	3,265	Generally similar to terms and conditions above
Deposit liabilities	(11,212)	Generally similar to terms and conditions above
Interest income	2,112	Interest income on receivables from customers (Note 9)
Foreign exchange gain - net	159	Net gain from foreign exchange transactions
Interest expense	65	Interest expense on deposit liabilities (Note 16)
Lease Payments	249	Payments for leasing agreements with various lease terms
Foreign currency		
Buy	6,852	Outright purchases of foreign currency
Sell	129,951	Outright sale of foreign currency



Category	Parent Company	
	Amount	Terms and Conditions/Nature
Key Personnel		
<u>Outstanding Balance:</u>		
Receivables from customers	₱124	Secured - ₱88.89 million and unsecured - ₱15.96 million, no impairment; With annual fixed interest rates ranging from 0.00% to 9.00% and maturity terms from 5 to 19 years (Note 9)
Deposit liabilities	397	With various terms and minimum annual interest rate of 0.00% (Note 16)
<u>Amount/Volume:</u>		
Receivables from customers	19	Generally similar to terms and conditions above
Deposit liabilities	65	Generally similar to terms and conditions above
Interest income	3	Interest income on receivables from customers (Note 9)
2022		
Entities with Significant Influence		
<u>Outstanding Balance:</u>		
Deposit liabilities*	₱9,045	With annual fixed interest rate ranging from 0.00% to 4.88% including time deposits with maturity terms ranging from 30 to 34 days (Note 16)
<u>Amount/Volume:</u>		
Deposit liabilities	7,717	Generally similar to terms and conditions above
Interest expense	12	Interest expense on deposit liabilities (Note 16)
Subsidiaries		
<u>Outstanding Balance:</u>		
Interbank loans receivable*	₱11,206	Foreign currency-denominated lending which earn annual fixed interest rates ranging from 1.10% to 5.05% with maturity terms from 31 to 243 days with minimal expected credit loss (Note 7)
Receivables from customers*	3,337	Unsecured, with ECL of ₱4.50 million; With annual fixed interest rates ranging from 0.00% to 5.50% and maturity terms ranging from 5 to 210 days (Note 9)
Accounts receivable	184	Non-interest bearing receivables on remittance and rental fees (Note 9)
Other receivables	15	Non-interest bearing receivables on remittance (Note 9)
Deposit liabilities*	5,991	With annual fixed interest rates ranging from 0.00% to 5.00% including time deposits with maturity terms ranging from 5 to 91 days (Note 16)
Treasury stock	72	Parent Company's shares held by FMIC's mutual fund subsidiary (Note 23)
Dividends declared	1,132	Dividends declared by PSBank (Note 11)
<u>Amount/Volume:</u>		
Interbank loans receivable	2,442	Generally similar to terms and conditions above
Receivables from customers	3,083	Generally similar to terms and conditions above
Accounts receivable	51	Generally similar to terms and conditions above
Deposit liabilities	(279)	Generally similar to terms and conditions above
Interest income	157	Interest income on receivables from customers and interbank loans receivables (Note 7 and 9)
Service charges, fees and commissions	3	Income from transactional fees
Trading and securities gain - net	539	Net gain from securities transactions (Note 8)
Foreign exchange gain - net	16	Net gain from foreign exchange transactions
Leasing income	8	Income from leasing agreements with various lease terms
Miscellaneous income	150	Information technology services and other fees (Note 25)
Interest expense	33	Interest expense on deposit liabilities (Note 16)
Securities transactions		
Purchases	37,043	Outright purchases of investment securities at FVTPL and FVOCI
Sales	49,841	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	13,937	Outright purchases of foreign currency
Sell	4,745	Outright sale of foreign currency



Category	Parent Company	
	Amount	Terms and Conditions/Nature
Associates		
<u>Outstanding Balance:</u>		
Receivables from customers	₱707	Unsecured, with ECL of ₱1.58 million; With annual fixed interest rates ranging from 0.00% to 5.55% and maturity terms ranging from 60 to 273 days (Note 9)
Deposit liabilities*	1,958	With annual fixed interest rates ranging from 0.00% to 5.13% including time deposits with maturity terms from 32 to 357 days (Note 16)
<u>Amount/Volume:</u>		
Receivables from customers	66	Generally similar to terms and conditions above
Deposit liabilities	256	Generally similar to terms and conditions above
Interest Income	13	Interest income on receivables from customers
Trading and securities gain - net	6	Net gain from securities transactions (Note 8)
Leasing income	3	Income from leasing agreements with various lease terms
Interest expense	2	Interest expense on deposit liabilities (Note 16)
Securities transactions		
Outright purchases	140	Outright purchases of HFT securities and AFS investments
Outright sales	263	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	335	Outright purchase of foreign currency
Sell	935	Outright sale of foreign currency
Other Related Parties		
<u>Outstanding Balance:</u>		
Receivables from customers*	₱34,633	Secured - ₱7.18 billion, unsecured - ₱27.46 billion, with ECL of ₱98.59 million; With annual fixed interest rates ranging from 0.00% to 6.84% and maturity terms ranging from 2 days to 5 years (Note 9)
Assets held under joint operations	219	Parcels of land and former branch sites of the Parent Company contributed to joint operations (Note 14)
Deposit liabilities*	28,732	With annual fixed interest rates ranging from 0.00% to 4.88% including time deposits with maturity terms ranging from 5 to 359 days (Note 16)
<u>Amount/Volume:</u>		
Receivables from customers	3,270	Generally similar to terms and conditions above
Deposit liabilities	14,067	Generally similar to terms and conditions above
Interest income	1,261	Interest income on receivables from customers (Note 9)
Foreign exchange loss - net	(160)	Net loss from foreign exchange transactions
Interest expense	59	Interest expense on deposit liabilities (Note 16)
Lease Payments	40	Payments for leasing agreements with various lease terms
Contingent		
Unused commercial LCs	58	LC transactions with various terms
Foreign currency		
Buy	9,308	Outright purchases of foreign currency
Sell	120,202	Outright sale of foreign currency
Key Personnel		
<u>Outstanding Balance:</u>		
Receivables from customers	₱105	Secured - ₱88.89 million and unsecured - ₱15.96 million, no impairment; With annual fixed interest rates ranging from 0.00% to 9.00% and maturity terms from 1 to 19 years (Note 9)
Deposit liabilities	332	With various terms and minimum annual interest rate of 0.00% (Note 16)
<u>Amount/Volume:</u>		
Receivables from customers	26	Generally similar to terms and conditions above
Deposit liabilities	63	Generally similar to terms and conditions above
Interest income	2	Interest income on receivables from customers (Note 9)

* Includes accrued interest

As of December 31, 2024 and 2023, government bonds with total face value of ₱60.0 million (classified as 'Investment securities at amortized cost as of December 31, 2024 and 2023'), are pledged by PSBank to the Parent Company to secure the latter's payroll account with PSBank. Also, the Parent Company has assigned to PSBank government securities with total face value of ₱3.5 billion (classified as 'Investment securities at amortized cost') to secure PSBank's deposits to the Parent Company



Receivables from customers and deposit liabilities and their related statement of financial position and statement of income accounts resulted from the lending and deposit-taking activities of the Group and the Parent Company. Together with the sale of investment properties, borrowings, contingent accounts including derivative transactions, outright purchases and sales of securities and foreign currency buy and sell, leasing of office premises, securing of insurance coverage on loans and property risk, and other management services rendered, these are conducted in the normal course of business, at arm's-length transactions and are generally settled in cash. The amounts and related volumes and changes are presented in the summary above. Terms of receivables from customers, deposit liabilities and borrowings are also disclosed in Notes 9, 16 and 17, respectively, while other related party transactions above have been referred to their respective note disclosures.

The compensation of the key management personnel of the Group and the Parent Company follows:

	Consolidated			Parent Company		
	2024	2023	2022	2024	2023	2022
Short-term employee benefits	₱5,485	₱4,734	₱4,232	₱4,616	₱3,832	₱3,303
Post-employment benefits	103	116	140	63	81	86
	₱5,588	₱4,850	₱4,372	₱4,679	₱3,913	₱3,389

Director's fees and bonuses of the Parent Company in 2024, 2023 and 2022 amounted to ₱70.7 million, ₱70.2 million and ₱68.1 million, respectively.

Transactions with Retirement Plans

Under PFRS, certain post-employment benefit plans are considered as related parties. The Parent Company has business relationships with a number of related party retirement plans pursuant to which it provides trust and management services to these plans. Certain trustees of the plans are either officers or directors of the Parent Company and/or the subsidiaries. Income earned by the Parent Company from such services amounted to ₱135.7 million, ₱160.2 million and ₱127.0 million in 2024, 2023 and 2022, respectively. In 2024, 2023 and 2022, the Parent Company purchased securities totaling ₱5.4 billion, ₱8.1 billion and ₱7.4 billion, respectively, from its related party retirement plans and also sold securities totaling ₱5.6 billion, ₱10.4 billion and ₱13.0 billion, respectively, and recognized minimal net trading gain in 2024, and net trading losses of ₱0.4 million and ₱8.0 million in 2023 and 2022, respectively. Further, as of December 31, 2024 and 2023, the total outstanding deposit liabilities of the Group from these related party retirement funds amounted to ₱144.3 million and ₱120.2 million, respectively. Interest expense on deposit liabilities amounted to ₱1.2 million, ₱25.3 million and ₱2.9 million in 2024, 2023 and 2022, respectively.

As of December 31, 2024 and 2023, the related party retirement plans also hold investments in the equity shares of various companies within the Group amounting to ₱138.7 million with unrealized trading losses of ₱13.3 million and ₱31.7 million, respectively, and investments in mutual funds and trust funds of various companies within the Group amounting to ₱1.6 billion and ₱1.4 billion, respectively, with unrealized trading gains of ₱51.2 million and ₱108.7 million, respectively. Further as of December 31, 2024 and 2023, investments in the corporate bonds of the Parent Company by the related party retirement plans amounted to nil and ₱49.4 million, respectively, with unrealized trading gains of nil and ₱0.2 million, respectively. In 2024, 2023 and 2022, realized trading gains/(losses) recognized by the related party retirement plans amounted to ₱61.6 million, (₱5.9 million) and (₱3.7 million), respectively, and dividend income recognized amounted to ₱2.5 million, ₱1.4 million, and ₱1.2 million, respectively.



33. Foreign Exchange

Closing rates as of December 31 and WAR for each of the year ended December 31 are as follows:

		BAP	
	2024	2023	2022
Closing	₱57.85	₱55.37	₱55.76
WAR	57.28	55.63	54.50

34. Other Matters

The Group has no significant matters to report in 2024 on the following:

- a. Known trends, events or uncertainties that would have material impact on liquidity and on the sales or revenues.
- b. Explanatory comments about the seasonality or cyclicalities of operations.
- c. Issuances, repurchases and repayments of debt and equity securities except for the issuances of the US\$1.0 billion senior unsecured notes of the Parent Company and the CN¥300.0 million bonds of MBCL as discussed in Note 19; maturity of the ₱23.7 billion fixed rate bonds of the Parent Company as discussed in Note 19; and the maturities of the ₱8.68 billion and ₱3.75 billion LTNCDs of the Parent Company and ₱5.08 billion LTNCD of PSBank as discussed in Note 16.
- d. Unusual items as to nature, size or incidents affecting assets, liabilities, equity, net income or cash flows except for the payment of cash dividends by the Parent Company, as discussed in Note 23.
- e. Effect of changes in the composition of the Group during the year, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations except for (1) RMB 200.0 additional investment to MBCL; (2) investment to FMIRBI, a newly established subsidiary; and (3) the disposal of the entire equity investment of FMIC in various fund assets as discussed in Note 11.

35. Subsequent Events

- a. On January 16, 2025, the BOD of PSBank declared a 7.50% regular cash dividend for the fourth quarter of 2024 amounting to ₱320.14 million or ₱0.75 per share payable on February 17, 2025 to all stockholders at record date as of February 3, 2025.
- b. On January 16, 2025, FMIRBI received the Insurance Commission's approval to operate as an insurance and reinsurance broker from January 1, 2025 to December 31, 2027.
- c. On February 19, 2025, the BOD of the Parent Company approved the following:
 - i. Declaration of ₱ 3.00 regular cash dividend, payable on a semi-annual basis. The first payout of ₱ 1.50 per share is payable on March 28, 2025 to all stockholders of record as of March 6, 2025. Record and payment dates for the second payout of ₱ 1.50 per share will be determined during the regular meeting of the BOD in August 2025; and
 - ii. Declaration of ₱2.00 special cash dividend payable on March 28, 2025 to all stockholders of record as of March 6, 2025.



36. Approval of the Release of the Financial Statements

The accompanying financial statements of the Group and of the Parent Company were authorized for issue by the BOD on February 19, 2025.

37. Report on the Supplementary Information Required under Section 174 of the Manual of Regulations for Banks

Supplementary Information Under Section 174 of the Manual of Regulations for Banks

On January 8, 2020, the Monetary Board approved the amendments to the relevant provisions of the Manual of Regulations for Banks and Manual of Regulations for Foreign Exchange Transactions. Among the provisions is the requirement to include the following additional information to the Audited Financial Statements.

a. *Quantitative indicators of financial performance*

The following basic ratios measure the financial performance of the Group and the Parent Company:

	Consolidated			Parent Company		
	2024	2023	2022	2024	2023	2022
Return on average equity ⁽¹⁾	12.97%	12.51%	10.29%	12.95%	12.49%	10.27%
Return on average assets ⁽²⁾	1.45%	1.42%	1.23%	1.62%	1.61%	1.41%
Net interest margin on average earning assets ⁽³⁾	3.77%	3.90%	3.56%	3.67%	3.83%	3.47%

⁽¹⁾ Net income attributable to equity holders of the Parent Company for the year divided by average total equity attributable to the Parent Company.

⁽²⁾ Net income attributable to equity holders of the Parent Company for the year divided by average total assets.

⁽³⁾ Net interest income for the year divided by average interest-earning assets.

b. *Description of capital instrument issued*

The Group and the Parent Company consider its common stock and subordinated debts as capital instruments eligible as Tier 1 and Tier 2 capitals.

c. *Significant Credit Exposures*

Significant credit exposures of loans as to industry, gross of unearned discount and capitalized interest, follows:

	Consolidated				Parent Company			
	2024		2023		2024		2023	
	Amount	%	Amount	%	Amount	%	Amount	%
Real estate activities	₱327,236	17.85	₱294,634	18.80	₱286,257	17.88	₱243,298	17.83
Wholesale and retail trade, repair of motor vehicles and motorcycles	260,229	14.20	204,743	13.07	227,930	14.24	188,900	13.85
Manufacturing	198,032	10.81	182,083	11.62	194,411	12.14	179,011	13.12
Financial and insurance activities	176,043	9.60	154,732	9.88	170,072	10.62	150,463	11.03
Information and communication	127,555	6.97	100,198	6.39	127,456	7.96	100,085	7.34
Transportation and storage	110,927	6.05	67,081	4.28	108,711	6.79	60,062	4.40
Electricity, gas, steam and air conditioning supply	76,059	4.15	71,806	4.58	73,990	4.62	69,855	5.12
Construction	72,739	3.97	64,362	4.11	47,530	2.97	45,484	3.33
Water supply, sewerage, waste management and remediation activities	31,794	1.73	14,730	0.94	31,717	1.98	14,656	1.07
Administrative and support service activities	21,987	1.20	21,405	1.37	6,093	0.38	5,136	0.38
Agriculture, forestry, and fishing	21,875	1.19	23,223	1.48	20,842	1.30	21,876	1.60
Accommodation and food service activities	13,858	0.76	17,455	1.11	13,567	0.85	17,230	1.26
Arts, entertainment and recreation	3,192	0.17	1,606	0.10	3,112	0.20	1,527	0.11
Activities of household employees	94,864	5.18	2,342	0.15	2,069	0.13	2,155	0.16
Other service activities	1,689	0.09	1,819	0.12	1,689	0.11	1,819	0.13
Education	1,586	0.09	475	0.03	1,306	0.08	345	0.03
Mining and quarrying	1,453	0.08	1,623	0.10	1,173	0.07	1,312	0.10
Professional scientific and technical activities	1,444	0.08	1,508	0.10	1,303	0.08	1,316	0.10
Human health and social work activities	606	0.03	795	0.05	522	0.03	569	0.04
Others	289,673	15.80	340,426	21.72	281,235	17.57	259,175	19.00
	₱1,832,841	100.00	₱1,567,046	100.00	₱1,600,985	100.00	₱1,364,274	100.00



The Group considers that concentration of credit exists when total loan exposure to a particular industry or economic sector exceeds 30.00% of total loan portfolio.

d. Breakdown of loans

The following table shows information relating to receivables from customers by collateral, gross of unearned discounts and capitalized interest:

	Consolidated				Parent Company			
	2024		2023		2024		2023	
	Amount	%	Amount	%	Amount	%	Amount	%
Secured by:								
Other securities	₱294,928	16.09	₱262,418	16.75	₱294,928	18.42	₱262,418	19.23
Chattel	102,980	5.62	93,544	5.97	21,622	1.35	19,899	1.46
Real estate	94,333	5.15	88,400	5.64	60,875	3.80	57,233	4.20
Equity securities	60,356	3.29	52,186	3.33	6,379	0.40	6,544	0.48
Deposit hold-out	46,739	2.55	37,781	2.41	46,239	2.89	37,183	2.73
Others	20,768	1.13	13,573	0.87	7,518	0.47	454	0.03
	620,104	33.83	547,902	34.97	437,561	27.33	383,731	28.13
Unsecured	1,212,737	66.17	1,019,144	65.03	1,163,424	72.67	980,543	71.87
	₱1,832,841	100.00	₱1,567,046	100.00	₱1,600,985	100.00	₱1,364,274	100.00

Non-performing loans (NPLs) included in the total loan portfolio of the Group and the Parent Company, as reported to the BSP, are presented below:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Gross NPLs	₱25,985	₱26,180	₱20,277	₱19,518
Less allowance for credit losses	19,635	18,658	16,647	15,372
Net carrying amount	₱6,350	₱7,522	₱3,630	₱4,146

Under banking regulations, loan accounts shall be considered non-performing, even without any missed contractual payments, when they are considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal or interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than 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. Moreover, NPLs shall remain classified as such until (a) there is sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least six (6) months; or (b) written-off. Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after they have become past due.

e. Information on related party loans

In the ordinary course of business, the Group has loan transactions with investees and with certain directors, officers, stockholders and related interests (DOSRI) based on BSP Circular No. 423 dated March 15, 2004, as amended. Existing banking regulations limit the amount of individual loans to DOSRI, 70.00% of which must be secured, to the total of their respective deposits and book value of their respective investments in the lending company within the Group. In the aggregate, loans to DOSRI generally should not exceed the respective total equity or 15.00% of the respective total loan portfolio, whichever is lower, of the Parent Company, PSBank, FMIC, and ORIX Metro.



The following table shows information on related party loans as reported to the BSP:

	2024		2023	
	DOSRI Loans	Related Party Loans	DOSRI Loans	Related Party Loans
Consolidated				
Total outstanding loans	₱7,032	₱79,707	₱7,949	₱61,228
Percent of DOSRI/Related Party Loans to total loan portfolio	0.37%	4.20%	0.49%	3.77%
Percent of unsecured DOSRI/Related Party Loans to total DOSRI/Related Party Loans	11.57%	99.30%	5.05%	98.79%
Percent of past due DOSRI/Related Party Loans to total DOSRI/Related Party Loans	0.02%	0.01%	0.01%	0.00%
Percent of non-performing DOSRI/Related Party Loans to total DOSRI/Related Party Loans	0.01%	0.01%	0.00%	0.00%
Parent Company				
Total outstanding loans	₱6,816	₱88,385	₱7,724	₱61,228
Percent of DOSRI/Related Party Loans to total loan portfolio	0.42%	5.21%	0.55%	4.34%
Percent of unsecured DOSRI/Related Party Loans to total DOSRI/Related Party Loans	8.92%	99.34%	2.39%	98.79%
Percent of past due DOSRI/Related Party Loans to total DOSRI/Related Party Loans	0.02%	0.01%	0.01%	0.00%
Percent of non-performing DOSRI/Related Party Loans to total DOSRI/Related Party Loans	0.01%	0.01%	0.00%	0.00%

BSP Circular Nos. 560 and 654 provide the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks which require that the total outstanding loans, other credit accommodations and guarantees to each of the bank's/quasi-bank's subsidiaries and affiliates shall not exceed 10.00%, while a separate individual limit of 25.00% for those engaged in energy and power generation, of the net worth of the lending bank/quasi-bank, provided that the unsecured portion of which shall not exceed 5.00% or 12.50%, respectively, of such net worth. Further, the total outstanding loans, credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20.00% of the net worth of the lending bank/quasi-bank; and the subsidiaries and affiliates of the lending bank/quasi-bank are not related interest of any director, officer and/or stockholder of the lending institution, except where such director, officer or stockholder sits in the BOD or is appointed officer of such corporation as representative of the bank/quasi-bank as reported to the BSP. As of December 31, 2024 and 2023, the total outstanding loans, other credit accommodations and guarantees to each of the Parent Company's subsidiaries and affiliates did not exceed 10.00% of the Parent Company's net worth, as reported to the BSP, and the unsecured portion did not exceed 5.00% of such net worth wherein the total outstanding loans, other credit accommodations and guarantees to all such subsidiaries and affiliates represent 11.26% and 12.34%, respectively, of the Parent Company's net worth. The Parent Company has no outstanding loans, other credit accommodations and guarantees to subsidiaries and affiliates engaged in energy and power generation.

Total interest income on DOSRI loans in 2024, 2023 and 2022 amounted to ₱419.3 million, ₱461.9 million and ₱264.8 million, respectively, for the Group, and ₱407.3 million, ₱457.1 million and ₱259.4 million, respectively, for the Parent Company.



f. Secured Liabilities and Assets Pledged as Security

The following are the carrying values of government debt securities pledged and transferred under SSURA transactions of the Group and the Parent Company:

	Consolidated				Parent Company			
	2024		2023		2024		2023	
	Transferred Securities	SSURA	Transferred Securities	SSURA	Transferred Securities	SSURA	Transferred Securities	SSURA
Investment securities at FVTPL	₱83,564	₱83,292	₱—	₱—	₱83,564	₱83,292	₱—	₱—
Investment securities at FVOCI								
Government	46,677	43,099	115,803	101,291	46,677	43,099	115,803	101,291
Private	—	—	2,294	2,294	—	—	—	—
Investment securities at amortized cost	168,582	150,237	35,925	31,215	168,582	150,237	35,654	30,943
	₱298,823	₱276,628	₱154,022	₱134,800	₱298,823	₱276,628	₱151,457	₱132,234

g. Contingencies and commitments arising from off-balance sheet items

The following is a summary of contingencies and commitments at their peso-equivalent contractual amounts arising from off-balance sheet items:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Trust Banking Group accounts (Note 29)	₱581,368	₱497,607	₱565,936	₱485,425
Forward exchange sold	394,694	485,257	371,734	474,199
Forward exchange bought	385,994	676,781	385,994	676,781
Cross currency swaps	371,555	311,368	371,555	311,368
Credit card lines	332,364	276,839	332,364	276,839
Interest rate swaps	325,492	234,251	325,492	234,251
Unused commercial letters of credit (Note 32)	71,604	61,936	57,440	45,558
Undrawn commitments - facilities to lend	53,640	53,740	53,580	53,729
Derivative spot	52,588	111,561	52,559	111,533
Bank guaranty with indemnity agreement (Note 32)	15,499	11,732	15,498	11,732
FX options	13,935	25,108	13,935	25,108
Bond futures	—	13,095	—	13,095
Interest rate options	11,527	15,700	—	—
Credit line certificate with bank commission	7,300	3,963	7,300	3,963
Outstanding guarantees	5,330	6,637	5,330	6,637
Credit default swaps	3,181	3,045	3,181	3,045
Outstanding shipside bonds/airway bills	1,715	1,436	923	656
Inward bills for collection	1,521	1,662	1,521	1,661
Late deposits/payments received	1,053	944	1,053	943
Outward bills for collection	967	640	883	559
Confirmed export letters of credits	24	44	—	—
Others	29,578	27,480	7,111	6,825
	₱2,660,929	₱2,820,826	₱2,573,389	₱2,743,907

38. Report on the Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010

Supplementary Information Under RR No. 15-2010

On November 25, 2010, the BIR issued RR No. 15-2010 to amend certain provisions of RR No. 21-2002 which provides 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 Parent Company reported the following types of taxes for the year ended December 31, 2024 included under 'Taxes and licenses' account in the statement of income:

GRT	₱7,374
DST	3,990
Local taxes	272
Real estate tax	106
Others	410
	<u>₱12,152</u>

Details of the total withholding taxes remittances for the taxable year December 31, 2024 follow:

Taxes withheld on compensation	₱3,501
Final withholding taxes	10,353
Expanded withholding taxes	1,315
	<u>₱15,169</u>

As of December 31, 2024, the Parent Company has no outstanding tax cases under preliminary investigation, litigation, and/or prosecution in courts or bodies outside the BIR.



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FINAL PRICING SUPPLEMENT DATED April 6, 2026

OFFER OF SERIES F ASEAN SUSTAINABILITY BONDS BY METROPOLITAN BANK & TRUST COMPANY IN THE AMOUNT OF PHP35,000,000,000

Under its PHP154.5 Billion Bond and Commercial Paper Programme

This document constitutes the Final Pricing Supplement relating to Series F ASEAN Sustainability 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 dated May 3, 2019, as supplemented on March 4, 2026 and the Offering Circular dated March 4, 2026 (the "Offering Circular"). This Pricing Supplement contains the final terms of this Offer and the Series F ASEAN Sustainability 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	Metropolitan Bank & Trust Company (the "Bank")
Issue	Bonds constituting the direct, unconditional, unsecured and unsubordinated obligations of the Bank
Specified Currency or Currencies	Philippine Peso
The Offer Size	₱35,000,000,000
Issue Price	At par (or 100% of face value)
Form and Denomination of the Bonds	The Series F ASEAN Sustainability Bonds shall be issued in scripless form in minimum denominations of ₱500,000 each, and in multiples of ₱100,000 thereafter, and traded in denominations of ₱100,000 in the secondary market
Offer Period	The offer of the Bonds shall commence at 10:00 am on March 17, 2026 and end at 5:00 pm on March 30, 2026, or any other date as may be determined by the Issuer and the Joint Lead Managers and Joint Bookrunners. The offer period ended on March 23, 2026.
Issue Date	April 14, 2026
Use of Proceeds	The net proceeds of the Series F ASEAN Sustainability Bonds are intended to be used to support the Bank's lending activities and diversify funding sources and will be used and/or allocated by the Bank to finance or refinance, whether in whole or in part, new or existing Eligible Assets in accordance with the prescribed eligibility criteria in the Bank's Sustainable Finance Framework.

INTEREST

Interest Date	Commencement	April 14, 2026
Interest Payment Date (s)		January 14, April 14, July 14, and October 14 of each year
Interest Rate		5.4727% per annum
Day Count Fraction		30/360 day count basis
Maturity Date		One (1) year and six (6) months from Issue Date or October 14, 2027
Rating		Unrated
Payment Account Name		Metropolitan Bank & Trust Company Branch: Head Office Account Number: 066-373-423-4045
Listing		The Series F ASEAN Sustainability Bonds will be listed at the Philippine Dealing & Exchange Corp.
Governing Law		Philippine Law
Taxation		<u>Interest Income on the Series F ASEAN Sustainability Bonds</u>

A. For Individuals

Interest income on the Series F ASEAN Sustainability Bonds is subject to a final withholding tax rate of twenty percent (20%) for Philippine citizens, resident aliens, and non-resident aliens doing business in the Philippines and twenty-five percent (25%) for non-resident aliens not doing business in the Philippines.

B. For Corporations

Interest income derived by domestic and resident foreign corporations from deposit substitutes, offered to the public, is subject to a Final Withholding Tax (“**FWT**”) at the rate of twenty percent (20%), while interest income derived by non-resident foreign corporations is subject to a FWT at the rate of twenty-five percent (25%).

Except for such withholding tax and as otherwise provided, payments of principal and interest will be made free and clear of any deductions of any taxes, duties, or charges imposed by or on behalf of the Republic of the Philippines. If such taxes, duties, or charges are imposed, the same shall be for the account of the Bank; provided, however, that the Issuer 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 Series F ASEAN Sustainability Bonds;
- (b) The applicable FWT on interest earned on the Series F ASEAN Sustainability 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 final withholding tax 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: (a) a current and valid BIR-certified true copy of the tax exemption certificate, ruling or opinion addressed to the relevant Bondholder confirming its exemption or preferential rate, as required under BIR Revenue Memorandum Circular ("RMC") No. 8-2014 including any clarification, supplement, or amendment thereto, and certified by the Corporate Secretary of the Bondholder that: (i) the exemption certificate is a true copy of the original; (ii) the original is in the possession of the Corporate Secretary as the duly authorized custodian of the same; and (iii) the Corporate Secretary has personal knowledge based on his official functions of any amendment, revocation, expiration, change, or any circumstance affecting the said certification's validity, or a copy of the law of the country of domicile allowing a deemed paid tax credit in an amount equivalent to the 15% spared or waived by the Philippines duly authenticated by the Philippine embassy or, for countries that are members to the Apostille Convention, an apostilled copy of the law of the country of domicile which apostilled or authenticated copy shall be valid for one (1) year from the date of issuance. Should the submitted tax exemption certificate, ruling, or opinion expire during the Offer Period, the Bondholder must submit an updated/revalidated tax exemption certificate; (b) with respect to tax treaty relief, (a) prior to the payment of the initial interest due, (i) three (3) originals of the duly executed and apostilled/consularized BIR Form 0901-I (Interest Income) or Application Form for Treaty Purposes filed by the 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, as required under Revenue Memorandum Order ("RMO") No. 14-2021, (ii) one (1) original of the apostilled/consularized Tax Residency Certificate duly issued by the respective foreign tax authority of the country of residence of the 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, (iii) the relevant provision of the tax treaty providing for the claimed tax exemption or preferential tax rate, in a form acceptable to the Issuer, and (iv) three (3) originals of the duly notarized, consularized or apostilled (as the case may be), if executed outside of the Philippines, Special Power of Attorney executed by the Bondholder or the Bondholder's owners or beneficiaries, as may be applicable, in favor of the authorized representative (if the Application Form for Treaty Purposes and other documents are accomplished by an authorized representative) and confirmation acceptable to the Issuer that the Bondholder or the Bondholder's owners or beneficiaries is/are not doing business in the Philippines to support the applicability of a tax treaty relief; (b) prior to the payment of subsequent interests due, (i) three (3) originals of the apostilled/consularized new or updated BIR Form 0901-I (Interest Income) or Application Form for Treaty Purposes, as the Issuer deems applicable, and (ii) one (1) original of the apostilled/consularized Tax Residency Certificate duly issued by the respective foreign tax authority of the country of residence of the 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 tax residency certificate has already lapsed; and (c) such other additional documents as may be required by the Issuer or pursuant to applicable tax regulations, including, but not limited to, the documentary requirements enumerated in BIR RMO No. 14-2021 in relation to BIR RMC Nos. 77-2021 and 20-2022, which shall be submitted by the Bondholder/Registrar and Paying Agent to the Issuer no later than the 1st day of the month when such initial or subsequent interest payment/s shall fall due and, if applicable, including any clarification, supplement, or amendment thereto; for the avoidance of doubt, the Issuer shall retain sole discretion in determining whether the non-resident Bondholder is entitled to the preferential tax treaty rate based on the documents submitted by the non-resident Bondholder, provided that all the conditions for the availment thereof, other than residency, have been satisfied; (c) A duly notarized undertaking by (1) the corporate secretary or any authorized representative of such Bondholder, who has personal knowledge of the exemption or preferential rate treatment based on his official functions, if the Bondholder purchases, or the Bondholder holds, the Bonds for its account, or (2) the trust officer, if the Bondholder 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 such entities' tax-exempt status or preferential rate entitlement, undertaking to immediately notify the Issuer, the Registrar and Paying Agent of (i) any suspension, revocation, amendment or invalidation (in whole or in part) of the tax exemption certificate, ruling, or opinion issued by the BIR, executed using the prescribed form under the Registry and Paying Agency Agreement ("RPAA"); (ii) if there are any material changes in the factual circumstances of the Bondholder including but not limited to its character, nature, and method of operation, which are inconsistent with the basis for its income tax exemption; or (iii) if there are any change of circumstance, relevant treaty, law or regulation or any supervening event that may or would result in the interest income of the Bonds being ineligible for exemption or preferential rate, with a declaration and warranty of its tax exempt status or entitlement to a preferential tax rate, and agreeing to indemnify and hold the Issuer, the Registrar and Paying Agent, the Managers, and the Selling Agents free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding or incorrect withholding of the required tax, provided, that in case of corporate, partnership or trust account investors, such Bondholder shall also submit an original certification from the corporate secretary or an equivalent officer of the investor, setting forth the resolutions of its board of directors or equivalent body authorizing the execution of the undertaking and designating the signatories, with their specimen signatures, for the said purpose; and (d) Such other documentary requirements as may be reasonably required by the Bank, the Registrar or the Paying Agent under the applicable regulations of the relevant taxing or other authorities, e.g., BIR RMO No. 14-2021, and BIR RMC Nos. 77-2021 and 20-2022, which for purposes of claiming tax treaty withholding rate benefits shall include evidence of the applicability of a tax treaty and apostilled or consularized proof of the Bondholder's legal domicile in the relevant treaty state, and confirmation from the SEC that the entity is not doing business in the Philippines; provided that the Bank shall have the exclusive discretion to decide whether the documents submitted are sufficient for purposes of applying the exemption or the reduced rate being claimed by the Bondholder on the interest payments to such Bondholder; 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 the required documents and of additional reasonable evidence of such tax-

exempt status to the Registrar.

Unless properly provided with satisfactory proof of the tax-exempt status of a Bondholder, the Registrar and Paying Agent may assume that said Bondholder is taxable and proceed to apply the tax due on the Bonds. Notwithstanding the submission by the Bondholder, or the receipt by Bank or any of its agents, of documentary proof of the 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.

- (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.

Documentary stamp tax for the primary issue of the Series F ASEAN Sustainability Bonds shall be for the Bank's account.

Prohibited Holders

means persons and entities which are prohibited from purchasing holding the Series F ASEAN Sustainability Bonds of the Bank pursuant to the BSP Rules, specifically:

- (a) persons and entities which are prohibited from purchasing holding any Series F ASEAN Sustainability 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 Series F ASEAN Sustainability Bonds or that which substantially impacts an investor's decision to buy or sell the Series F ASEAN Sustainability 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 Series F

ASEAN Sustainability 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).

PROVISIONS RELATING TO REDEMPTION

Issuer Redemption Option	N/A
Final Redemption Amount	At par or 100% face value on Maturity Date
Early Redemption	When changes in tax, or changes in law or circumstance occur as set out in Conditions 6 (b) and (c) of the General Terms and Conditions
Early Redemption Amount	At par or 100% of face value plus accrued interest

PARTIES

Trustee	Development Bank of the Philippines - Trust Banking Group
Registrar & Paying Agent	Philippine Depository & Trust Corp.

Joint Lead Managers and Joint Bookrunners	First Metro Investment Corporation ING Bank N.V., Manila Branch Standard Chartered Bank
Selling Agents	Metropolitan Bank & Trust Company First Metro Investment Corporation ING Bank N.V., Manila Branch Standard Chartered Bank
Market Maker(s)	ING Bank N.V., Manila Branch Security Bank Corporation Standard Chartered Bank Union Bank of the Philippines

ADDITIONAL INFORMATION

None.

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

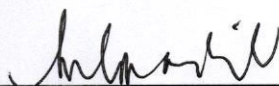
METROPOLITAN BANK & TRUST COMPANY

Issuer and Selling Agent

By:



Name: John Christopher C. Lu
Position: Head, Treasury Group



Name: Maricel L. Madrid
Position: Controller